THE CHINA WEEKLY REVIEW

密勒氏評論報

A Weekly Newspaper Established In 1917

July 24, 1948

AID AND COMFORT

AN EDITORIAL

Constitutionalism's Poor Start

C. Y. W. Meng

Shanghai Business Survey

A Report

Rhee's Victory At The East Gate

Hugh Deane

CHINESE ASSETS ABROAD

AN EDITORIAL

VOLUME 110 CNC$600,000 NUMBER 8

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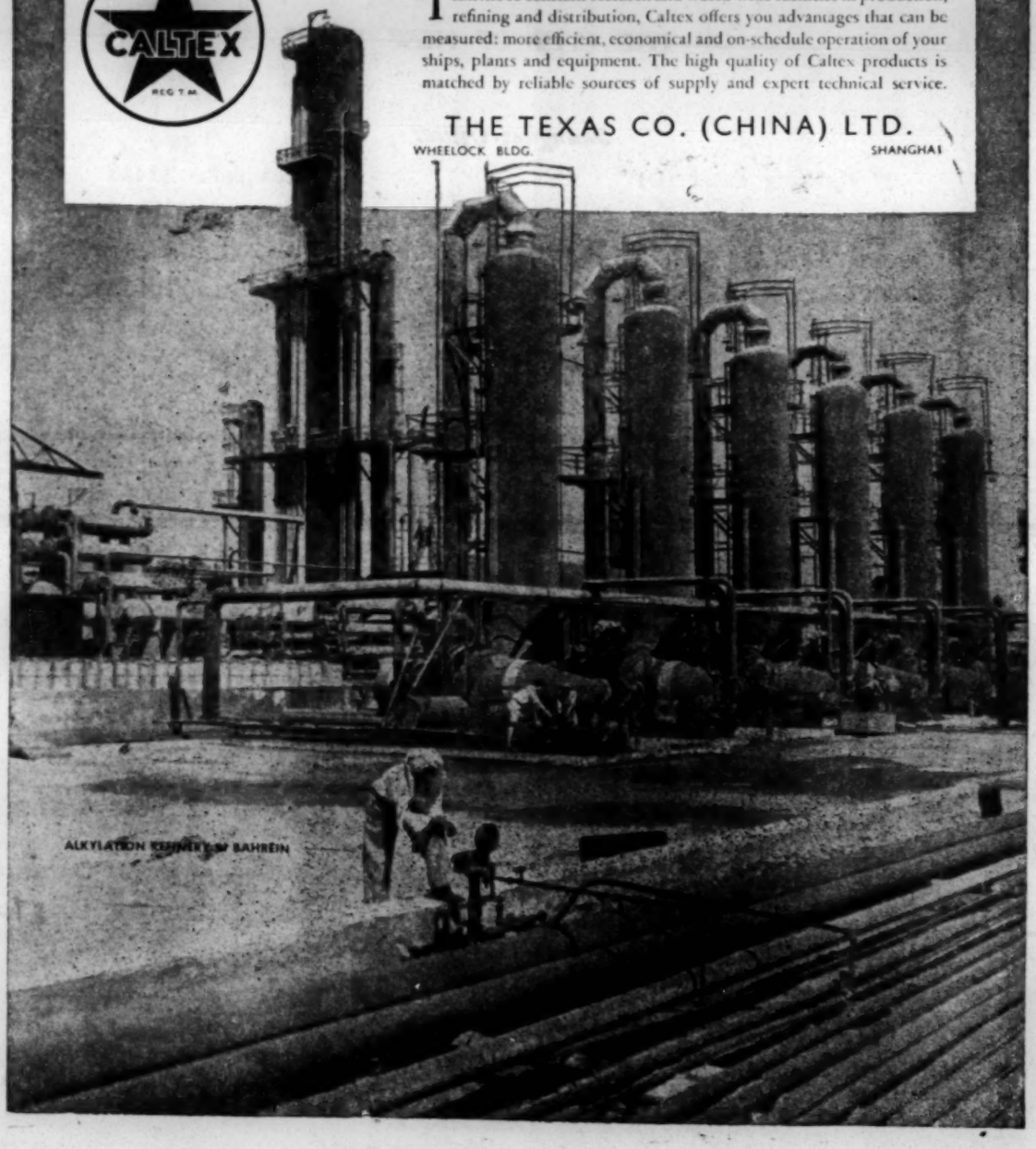

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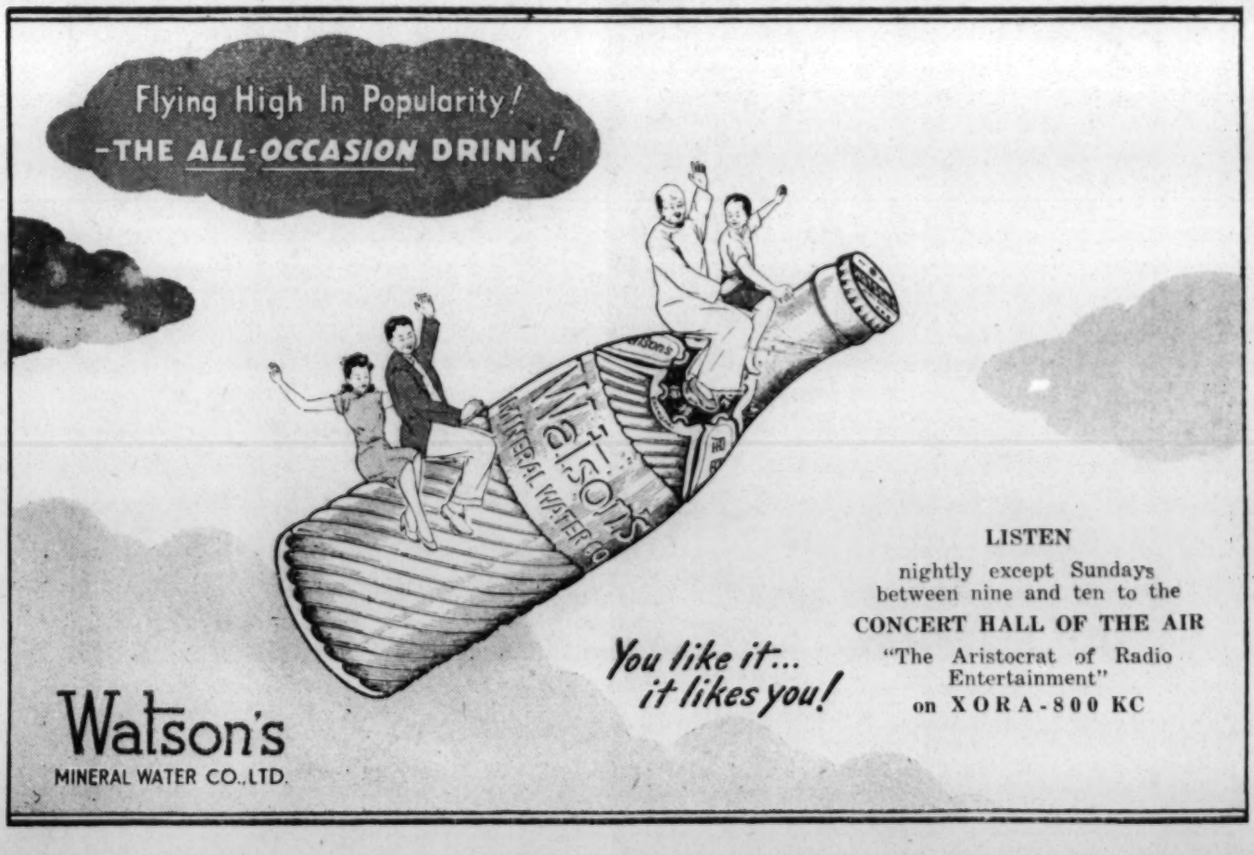

LETTERS From The People

Comments from readers on current topics are cordially invited: their opinions, however, do not necessarily represent the views of The China Weekly Review.

Press Law

To The Editor:

With reference to the suspension of Nanking's *Hsin Min Pao* (both morning and evening editions), I would like to know the answers to the following questions which this action brings to mind:

1) Is it in accordance with the law for the executive branch or for a military organization to ban a publication without having first obtained the sanction of the courts?

2) If it is in order for the executive branch or for a military organization to interpret the Press Law, is the law a good or bad law?

3) What comprises an article which endangers the Republic? For instance, is an article attacking the Ministry of Finance and the Central Bank for violating the Emergency Economic Measures by issuing about US$3,000 monthly to the Inspector General of Customs one calculated to endanger the Republic?

Yours for enlightenment, please!

INTERESTED.

Shanghai
July 13, 1948

Peiping Reader

To The Editor:

Having been, for more than two years, a constant reader of the *Review*, I have learned lots of facts hitherto never published in the vernacular papers. I enjoy reading the editorials as its impartial point of view and plain and effective writing move me much.

Besides, the editor possesses a thorough comprehension of Chinese political and social questions. The "News of the Week" as well as the "English Lesson" to me also are interesting; for the materials adopted in the English Lesson seldom can be found in the current text books. Practically the interpretation of English slang is most useful to me. I am also inclined towards reading the articles from your special correspondents everywhere, especially the aspects of the liberated areas of which little has yet been revealed in other papers. The articles written by Frederick Lee are really wonderful. Through detailed scrutinization of various military aspects, the author reached his conclusion with utmost care, and thus rendered his prediction as accurate as possible. The outcome of Chinese political issues, so much related to the war situation, deserves close and careful study. It is advisable for the editor to request Mr. Lee to write for the *Review* once every two weeks.

To my surprise, in such a big city as Peiping, the so called cultural center of China, no *Review* correspondent has yet been appointed. I suggest a British or an American with thorough knowledge of China's educational and cultural aspects, should be appointed at once, for the investigation of the student movement is significant. So far news regarding such a movement published in the vernacular papers is sometimes pure fabrication.

In short, by reading the *Review* in the last two years, I am able to draw out the possible outcome of the Civil War.

THE CHINA WEEKLY REVIEW

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Viewing it academically, I believe the articles in the *Review* are valuable for future historians.

W. B.

Peiping
July 15, 1948

American Protest

To The Editor:

On June 9, the Committee for a Democratic Far Eastern Policy released a cabled protest it sent to Ambassador J. Leighton Stuart, condemning his action in trying to stop Chinese students from demonstrating against what they regard as the American policy of restoring Japan's economic and military might.

The Committee's action was taken after Ambassador Stuart issued his warning that Chinese students must stop agitation against American policy in Japan or "face the consequence of your action." The implication was that aid to the Chinese Government would stop unless it took measures against the students.

I would like to include the full text of the Committee's message to Ambassador Stuart to give your readers some idea of what one group in America feels regarding the situation in China. The text follows:

"As Americans who affirm the right of self-determination for Chinese people and oppose American interference in China's internal affairs we are shocked by *AP* reports of your presuming to tell Chinese students they may not disagree with and agitate against an American policy that affects their country. Threatening Chinese students with 'unfortunate results' gives to the American Ambassador the same character as prewar Japanese imperialists who also tried to curb the patriotic sentiments and movements of the Chinese people. We resent our government thus blatantly associating itself with Chiang Kai-shek's terroristic suppression of students."

B. NORMAN.

New York City
June 10, 1948

Bilateral?

To The Editor:

The signing in Nanking of the Economic Aid Agreement between the United States and China following several months of secret negotiations in Washington legalizes another substantial monetary gift from Uncle Sam to the National Government.

This credit to China not only shows the United States Government's confidence in President Chiang Kai-shek's war machine, but also embodies a higher motive for the White House; namely, the hope of an eventual victory for the Kuomintang which would contribute to the checking of Communist influence in the Far East.

With her war resources greatly decreasing, which inevitably has a strong bearing on the morale of the army and the people, the National Government is now desperately seeking foreign aid.

The American Government which is in fact fully occupied by the turbulent conditions all over Europe—not only in her relations with the Soviet Union but even with France which is unable to ally fully with the United States for fear of internal public opposition—is also seeking a quiet Pacific so that full attention can be paid to the critical situation on the other side of the Atlantic.

These factors, together with the US desire to explore the boundless riches of China in order to increase the war potential of America, make the present agreement quite natural.

Much criticism has been made by the press in China over the significance of the agreement but little, if any, has been

written about the wording of the pact.

Article II, Clause 1 (a, 2) stipulates that "the Government of China undertakes to adopt or maintain the measures necessary to ensure efficient and practical use of economic resources, to the extent practicable, measures to locate, identify and put into appropriate use.... to improve economic conditions in China....." Nothing in this clause imposes any obligation on the Government of the United States of America to assist in carrying out such measures.

In other words, no matter how enormous the private deposits of Chinese nationals in the United States are, China would possibly make no use of them if they can be concealed under various pretexts. That clause would also encourage more idle capital in China to take refuge in US.

"The Government of China will facilitate the transfer to the United States of America for stockpiling or other purposes of materials originating in China which are required by the United States of America as a result of deficiencies in its own resources....The Government of China, when so requested by the Government of the United States of America, will cooperate to further the objectives.....in respect of materials originating outside of China.....," so says the Article VI, Clauses 1 and 3.

Evidently, that implies that the necessary protection which China as a sovereign state should give to her nationals in the United States would be greatly restricted and the wealth and properties of overseas Chinese would be open for "transfer" to the US if so desired.

This article would also guarantee US uninterrupted supply of all resources, including war materials, from China whose right will be limited to nothing except the bargaining of prices. In spite of the stipulation in the clause that the transfer will be made "upon reasonable terms of sale, exchange, barter or otherwise," there leaves plenty of room for suspicion that the China market would be fully monopolized by US for exports from this country and it would no longer be considered from China's own viewpoint but would be made upon the requirements of the United States government. And, if this point is seriously considered, it might be asserted that US would dominate China's important war supplies, such as tung oil, bristle, etc., as a preparation for global warfare.

Article V's Clause 4 provides that "the Government of China will further make such sums of Chinese currency available out of any balances in the special account as may be required to cover: (a) expenditures required to carry out the purposes of the Joint Commission on Rural Reconstruction and (b) costs of transportation." This article also holds China liable for payments of salaries, etc., in terms of US currency.

This actually means that the Chinese government which should have a CNC account at the Central Bank of China, will be required to pay huge amounts of US dollars and during times of strict control and high rate of exchange like now, this clause would require China either to sell immediately her available materials on the market or to increase still rapidly her already record-breaking circulation of notes.

So far, only at Christmas time does the Chinese customs allow imports of personal packages containing prohibited goods from abroad. But by virtue of the Article VII, which says that "relief packages originating in the United States of America and consigned to individuals residing in China" would be allowed for import, it can only be natural that smuggling of banned commodities would be greatly facilitated. For both the customs and the post office would have

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great difficulty in ascertaining whether packages mean "relief" to needy individuals and not relief to smugglers.

Similar useless inclusions in the agreement are found on Article IV, Clause 2; Article II, Clause 1 (c) and Article V, Clause 5 (a), which, inter alia, state that the present aid is intended to stabilize China's economy, but whether this object could be achieved or otherwise will not be an obligation for the United States.

Indeed the realization of such an object should and will remain the task of the National Government. For it, as is generally known, is an internal affair of China. And the fact that such a stipulation is provided in the agreement can only be regarded by the Chinese people as more of an insulting nature than as a result of the meticulous attitude of one or both of the contracting parties.

For instance in the sale of American relief rice in the five principal cities of China one may safely assert that the efforts of the United States Government's China Relief Mission have not even checked the course of inflation and other malpractices in China.

In the course of the past four months, in which CRM existed, local rice quotations went up from about CN$1,800,000 to $22,000,000 per picul while the price of American supplied rationed rice also rose from CN$1,500,000 to the July quotation of $10,000,000 per picul. What is more, by taking into consideration the spending of huge amounts of money for CRM's operation, real and final benefit to be derived from that project alone amounts to a very insignificant sum. And yet, the United States government is wasting no time by publicizing at every rice retail shop in Shanghai the fact that half of the rationed rice is donated by the United States.

The present agreement which was originally intended as a legal and technical basis for the donation of the loan to China, has assumed the role of a conditional surrender between a doner and a beggar. History alone will be able to judge whether this treaty, alleged to be bilateral, is serving only a unilateral purpose.

LAO HSUEH-SUN.

Shanghai
July 6, 1948

ReplyTo "Businessman"

To The Editor:

I was mad indeed after reading in your letters to the Editor section of July 3, the letter of the hoodoo who signed himself "Businessman," which complained of your editorial "Spring Fever Hits Congress" as being unpatriotic and unrepresentative of America. In that editorial of June 19 you simply questioned the wisdom of the American legislators in abandoning national and international considerations for partisan and local politics at this time, and speculated as to whether this was done with the good of the American public in mind, or merely as an effort to get re-elected. I, for one, believe that your motive in raising the question was of the highest type of patriotism, and that you would rather be called a "traitor" or a "radical" by a few bigoted members of the American business community than be considered a coward by those of us who have been for a long time supporters of true American ideals of democracy. Thus, I consider "Businessman" a betrayer of the highest American interests in China, for if such voices as yours are suppressed America will lose the last vestiges of the prestige which she had here in bygone days. I say this for America's own good, for I used to love her more than all the other countries of the world combined and because I believed implicitly that she is fully equipped for and deserving of world leadership. However, because of a weak and wicked Administration in Washington, which connives for world domination and self-aggrandizment through imperialism instead of working for an "American Century" of human brotherhood through the UN, I believe that America is forfeiting her right to this leadership.

In short, I beg of you to go ahead with your late father's traditional editorial "righteous complex," criticizing evil wherever you may find it, and not to succumb to the traditional British "imperial complex" of My Country: Right or Wrong. If you are right, the right-minded portions of the world will stand by you, for, as the Chinese saying goes, "No one can find bones in an egg."

Chinese John the Baptist.

Chengtu, Szechuen
July 14, 1948

B'dway Mansions Again

To The Editor:

There were occasional showers last Saturday afternoon. As my tram passed the Garden Bridge stop at about 4:00 p.m., a group of pedestrians were gathered under the shelter of the Broadway Mansion's entrance opposite the tram stop. I saw a young man (Chinese) hurry to this shelter and, finding the sides crowded, settle himself in the middle of the entrance and start to wipe his wet hair. Immediately a large individual wearing a white helmet lettered MP came-down the steps, flourished his club threateningly in the young man's face and chased him back into the rain. It was all over in a moment, the moment in which my tram stopped, but as we pulled away a feeling suddenly came over my whole system very similar to one that I used to have during the "Enemy and Puppet" days when passing one of those "Imperial Army" sentries we were forced to bow our heads.

Of course this is no argument that people should be allowed to block the middle of a public entrance, even during a rainstorm. Yet it is my firm belief and humble opinion that unless members of different races treat one another with courtesy and respect there will be no peace in this world. All those millions and billions of dollars spent for aid and relief will have been spent in vain. As your once-popular dance tune went: "It Ain't What You Do: It's The Way That You Do It!"

F. C. T.

Shanghai
July 20, 1948

People's Status

To The Editor:

These days prices everywhere in China are soaring, but increases in salaries are unable to keep up with them so that the salaried groups find it difficult to support their families or sending their children to school becomes more and more difficult. The small shopkeepers are hardly able to give their families enough to live on and sending their children to school is out of the question.

The situation continues to go from bad to worse and because of the state of the people's livelihood, riots have broken out in many places during which the starving and wandering rob the rice shops.

I meet many friends and they all shake their heads and say, "How can I enter school next term?" and at the same time they all express their hope that the civil war will end immediately.

REN-PAY.

Sha-Ping, Chungking
July 4, 1948

School Rice

To The Editor:

As a result of the severe inflation, most schools have not been able to keep a stock of rice but the Tsing Hwa Middle School—a private school without background, has an ample stock of it.

The fact is, that before the school re-opened, the school authorities borrowed large sums of money from private banks, at a very high rate of interest, with which to purchase rice and coal. By the end of the term, each student was able to get two tehs of rice from the "Student's Board Society."

This brings up a rather puzzling question: If all the schools in the country keep large stocks of food in stock, I am sure that very soon riots would result. If however, in order to avoid this possibility, the schools keep no stocks at all, how then would they be able to carry on their work without any trouble?

F.A.L. TUAN KEH-AN.

Chungking
June 27, 1948

Useless Aid

To The Editor:

China is now trying to emerge from feudalism. This is a basic truth which must not be overlooked if one trys to properly approach the China problem.

It is apparently ridiculous to expect feudalistic forces to surrender their privileges without a vigorous struggle. Ever since the founding of the Republic, this struggle has taken the form of endless civil strife, coup de'tats, etc. In my humble opinion, the current "bandit-suppression" campaign is no exception. We should not be carried away by these ultra-modern political terms both sides use.

It is regretable that the American aid to this country fails to win the people's goodwill. The reason is not hard to see if only one knows that the present American aid to this country, being one-sided, only serves to retard this country's progress toward Democracy, and thus prolongs the period necessary to overthrow the feudalistic forces.

Of course, one cannot question the sincerity and friendliness on the part of American taxpayers to help us. The more we think of the American people's sincerity in helping us, the more we feel obliged to be sure that our friend's goodwill is not being misused in any way. American aid, forthcoming at a time when an unprecedented destructive revolution takes place in this country, is largely wasted, and it's effect on the general welfare of this country is almost nil. It only tends to complicate the already complex China problem.

Let China have her own way. Uncle Sam had better keep the money for his own use, and not get himself involved in China's internal politics, which won't do him any good in the long run.

Without American interference, we shall soon have all our feudalistic influences uprooted and put our house in order.

After peace is restored, then American aid would be most welcome, and will be guaranteed it's most efficient use. The Chinese people are not ungrateful people. They will repay every cent they owe to their American friends, plus interest. The generosity of the American people will be cherished by the Chinese people for generations to come. To be sure, American will reap a rich harvest.

But we don't want the kind of American aid which not only does not help China one bit, but makes the Chinese people suffer longer. This kind of American aid is worse than none.

C. K. TSAI.

Tsingtao
July 6, 1948

Governor Replies

To The Editor:

I read, with suprise, the letter by a Mr. "Perplexed" concerning conditional release, published in the June 26 issue of your Review. I should like to point out that ever since my assuming office, all cases of conditional release have been handled according to law and forwarded to competent authorities, and that not all, who have served the specified period, are entitled to conditional release, but only those who have behaved well while in the gaol are accorded such a privilege.

The letter charges the officials concerned with forgetting the convicts' applications, if they are not successfully reminded by way of a gift. We shall appreciate your cooperation very much if you can manage to get the writer of the letter to supply us reliable information, supported by evidence, of any official who has received such gifts, and we will have the official dealt with relentlessly according to law. If, however, Mr. "Perplexed" fails to do so, he is warned against the liability of maliciously circulating a libel. For the sake of fairness, will you please publish this letter in your Review.

An early reply will be appreciated.

Governor, Shanghai Gaol
HSIANG-LING KUNG

Shanghai
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Kwangtung Report

To The Editor:

As the situation in China becomes worse and worse people have begun to look to the South. But the prospects in Kwangtung are not as bright as one might imagine.

When Dr. T. V. Soong arrived in Canton last October to take over the dual power of National President's Deputy and the post of Provincial Governor he was welcomed throughout the province. It was believed in many quarters that a strong government and a sound policy would be inaugurated to implement plans for reconstruction. It was also felt that Soong would try to find a stepping-stone here for his ambitions in regard to another Premiership, all of which might guarantee his sincerity in building up the province.

After eight months of waiting and seeing, however, people are now somewhat disillusioned. They find things getting worse and are beginning to wonder if any improvement or betterment can ever be achieved under the present state of things. Public feeling has been aroused by facts revealed in the Provincial Council, where, following the governor's report, Councillor Ling Hsi-zu raised a number of questions.

One of the Councillor's queries was about personnel: within the Provincial Government, the government has organized a handful of men, each of whom gets extra pay amounting to several hundred US dollars monthly in addition to a regular salary. "Nobody knows what they have done to deserve this," said Ling.

He raised another question regarding reconstruction work. It has been widely stated that the Governor's chief accomplishment is reconstruction. "But has he built any factories?" Ling inquired. Although the Governor is said to have drawn up many constructive plans, why does he not bring them before the Council for discussion?"

Councillor Ling laid great stress on the pacification problem. Dr. Soong has repeatedly declared that a prerequisite for all reconstruction work is pacification, and as long as the bandits have to be suppressed no reconstruction can be initiated. This is all perfectly true.

As revealed in the Governor's own report to the Council, however, bandits have been getting stronger since Dr. Soong was inaugurated. When he first arrived in Canton, it was officially reported that the total number of bandits in the whole province was not more than 18,000 men. Now, after eight months of a harsh Bandit Suppression Campaign, according to his own report, Soong's provincial government is faced with 40,000 bandits. Even this figure declared by the Governor was claimed by most of the Councillors as far short of the actual number. They declared that in many districts the number of bandits is actually ten times more than the figures shown by the Government.

Recently, a regional Vice-commander, General Chang Kang-tsen was captured by the Communists, Regiment Commander Tzen Woon-yet and many district magistrates were killed either in the field or captured and a great number of district cities were raided. Some councillors pointed out that the morale of the soldiers is very bad, that when the Communists raid a town, the troops dare not fight and after the Communists have evacuated they usually come back to the city to plunder and ravage it. The result is that the people fear and hate the Nationalist soldiers much more than the Communists.

"Corruption has been lessened a little but the bureaucracy remains," say the councillors, "and economic conditions in Canton are worse than in Shanghai."

Dr. Soong personally replied that he is not to be blamed since the responsibility is with the Central Government and with the people of the province.

Indeed, the Governor has done his best but the difficulties are too great for him. People are feeling pessimistic and in a defeatist mood.

H.K.K.C.

Canton
June 24, 1948

Foreign Currency

To The Editor:

Foreign currencies are influencing commodity price booms all over China. For instance, foreign currencies are flowing into the principal markets which are located in Shanghai, Canton, Hankow, Chungking, Kunming, etc. The merchants fear the rapid decline in value of CNC and therefore try not to keep any of it. They exchange their money for any commodity, gold, silver and even secretly keep foreign paper money.

On the other hand, in Shanghai and Hankow, the price of commodities is according to the value of the US dollar on the black market. In Canton and other cities near Hongkong it is based on Hongkong dollars, while near Kunming it is based on the rupee and piastre.

Why can't our government find some efficient methods to forbid the circulation of foreign currency everywhere?

T. W. WANG.

Kunming
July 9, 1948

THE CHINA WEEKLY REVIEW
密勒氏評論報
A Weekly Newspaper Established in 1917

The editorial pages present each week the opinions of the editor. The other pages of The China Weekly Review are written by the other members of the staff and the contributing editors who report and interpret the news irrespective of the views expressed in the editorials.

Vol. 110 Shanghai, Saturday, July 24, 1948 No. 8

Aid And Comfort

LAST week the man who should know best gave voice to some critical comments upon the China scene which sounded strangely like those which recently have been getting newspapers in trouble and which henceforth are not to be published because such statements, whether true or otherwise, will tend to lesson the prestige of the National Government in the eyes of the public and thus give aid and comfort to the Communists.

We are, of course, referring to Generalissimo Chiang's message to governors and mayors last week in which he urged them to improve their administrations and to correct many malpractices. After a long preamble about how the recent major victory in Honan proved the superiority of the Government armies over those of the Communists, the Generalissimo let the boys have it between the eyes, telling them to clean up their administrations. He said provincial officials should make frequent inspection trips to the countryside to see that the lower officials were carrying out proper administration. Furthermore, they were specifically told to eliminate corruption, increase efficiency and alleviate the sufferings of the people.

We are thus given to understand that the Generalissimo believes that corruption, inefficiency and suffering exist in the rural areas. He specifically told the officials to "eliminate" these evils and to "alleviate" the people's sufferings.

The Generalissimo also had something to say about raising local self-defense forces, expressing fear that the procedure might not be carried out properly. He said that the organization of such forces must be "done explicitly in accordance with regulations and no repetition of mutual deception between different levels should be allowed." In discussing the condition of the people, the G'mo was not only concerned for the future, but unhappy over the present. He said that present burdens were heavy and that "all efforts should be made to avoid imposing upon the people burdens or taxes not prescribed by laws. Wherever possible productive enterprises should be restored and operated for the benefit of the people."

In conclusion the Generalissimo said that he felt sure that if all these reforms could be put in action and that if officials set themselves up as good examples for the people, the "political atmosphere" would so change within six months that the Government position would be greatly changed and "administrative efficiency" drastically increased.

Once again the Generalissimo has put his finger on many of the glaring faults of the Government. In fact, one could compile a pretty damning document of this administration just by quoting the G'mo. Despite the fact that much of the Generalissimo's criticism must be accepted as that of a leader who perhaps on occasion puts undue emphasis on the shortcomings of his subordinates in an effort to impress upon them sufficiently the need for improving themselves, his basic charges are always correct.

In the light of the recent closure of the Nanking edition of the *Hsin Min Pao* and the several open warnings to the press to be careful in its criticism of the Government, it is especially interesting to see President Chiang pointing out to Government officials their many shortcomings. Technically, the Generalissimo is giving aid and comfort to the Reds by letting them in on the fact that the leader of the Kuomintang thinks it needs some renovation. In our view this presents a bit of a problem to Chinese editors. If they print the Generalissimo's strong criticisms, they lay themselves open to charges of aiding the Communist rebellion against the state; if they refuse to print the leader's remarks they are at least guilty of *lese majesty*.

With this general thought in mind, we have noted several articles appearing in the press in recent days, wondering just what attitude the authorities concerned with supervising the press should take. One deals with the arrest of Colonel Chang Ya-ming, head of the Economic Control Department of the Shanghai-Woosung Garrison Headquarters, on charges of corruption. While it is as yet impossible to know whether or not Colonel Chang is guilty, since he reportedly has been transferred to Nanking for a military trial, the mere fact of his arrest dealt a serious blow to local officialdom. If nothing else, his arrest indicates a suspicion in the minds of his superior officers; otherwise they would never have arrested him and announced his detention to the press. Colonel Chang has been in the public eye for the past year and a half as he has been in charge of many of the gold bar and US dollar blackmarket investigations. Colonel Chang has been viewed by the public as a serious, patriotic officer whose very name sends a shiver of terror down the spines of local blackmarketeers. Now, the astounded public is presented with the news that General Hsuan Ti-wu, Garrison Commander, suspects that Colonel Chang himself has been one of the city's leading gold bar and US dollar operators in the illegal blackmarket. Such news is certainly going to weaken public confidence in

the entire Garrison. This surely will be comforting news to the Communists.

Another story appearing in the local press and one which some zealous official charged with enforcing the newly-proposed publication law might consider to be "Communist-Bandit-inspired," deals with the charge by four cotton mill workers who claim to have been tortured by Shanghai police following their arrest on a charge of stealing. The men, according to an appeal made on their behalf by 40 workers who petitioned the Shanghai City Council, were tortured by the police in an effort to get them to confess to the theft of 40 bolts of cotton cloth apparently stolen from the cotton mill where the men worked.

* * *

WE just don't see how the administrators of the new press law, providing it is passed, are going to handle such stories. In fact we don't see how the pertinent authorities, who have closed one paper and one news agency and warned several other papers as a result of alleged violations of the present, less strict press law, can figure out what to do. The first two stories—the Generalissimo's speech and the arrest of Colonel Chang—were in the nature of official press releases which the newspapers are expected to publish. The third story—the account of the torture charge—came to light through the open petition of the mill workers to the City Council.

From an American point of view, such stories, dealing with the activities of public officials, should be carried by all papers as a public duty. Apparently the authorities concerned felt the same way since two of them were official releases, while the third was an open story from the beginning.

However, viewed from the position of a press censor, publication of such critical accounts is highly undesirable. Strictly speaking, the Generalissimo, General Hsuan Ti-wu and the 40 cotton mill workers are all giving aid and comfort to the Reds and should be reprimanded, while the papers printing the stories should be closed.

Chinese Assets Abroad

WE thought we had delivered ourselves in recent weeks of enough opinions concerning taxation, special levies, soak-the-rich plans and schemes for the acquisition of personal holdings of Chinese abroad. However, another bill aimed at soaking the rich was introduced into the Legislative Yuan last week. Presumably, it is the same bill, the drafting of which we commented upon in the June 12 issue of the *Review*.

We would let it go without comment except that there are a couple of statements in it, according to press dispatches from Nanking, to which we take serious objection. The bill is alleged to say, or perhaps it was only an aside comment of its framers, that the Government's previous efforts to requisition Chinese assets abroad were balked by refusal of the United States and Britain to give assistance. This statement, whatever its origin, is basically untrue.

As we have pointed out before, it *is* the general policy of the US Government to regard private bank deposits and other financial holdings of private individuals, be they foreigners or Americans, as none of the Government's business unless there is suspicion of law evasion. However, we also remarked that there had been a departure from this general policy in the case of France. The French Government spent a long time negotiating with US Treasury officials over the large private French holdings in America. After being convinced that the French Government did not plan to confiscate such holdings and was prepared to pay the holders a satisfactory remuneration and was planning to use the foreign exchange thus obtained in a constructive manner, the Treasury agreed to cooperate, offering to freeze all known French holdings in America if they had not been surrendered to the Paris Government by a deadline date.

This was a drastic step for the American Government and was long considered before being made. However, if the Chinese Government could present as good a case as the French Government, which would mean that Washington would have to be satisfied beyond all doubt that Nanking was actually acting in good faith and was not going to allow the requisitioning to turn into another racket, the US Treasury presumably would cooperate.

Statements from Nanking officials to the effect that the reason such a requisition has not been effected before is because the "foreigners" refused to cooperate, certainly does not indicate good faith. Things are getting tough in China we know, but that is no excuse for beginning, here and there, to complain that the reason something or other hasn't been done is because of some fault of "the foreigners."

Another statement, said to be one of the main points of the bill, is that Overseas Chinese assets will not be included. We think such a statement is entirely too loose. Certainly the assets held abroad by Overseas Chinese of foreign nationality could not be requisitioned. However, there are many Overseas Chinese who still owe allegiance only to China. We fail to see why they should escape.

* * *

ONE of the main difficulties in collecting sufficient money to finance Government expenses is a two-fold one: Government inability to understand the problem and popular fear—developed through years of poor tax policy—of paying taxes. We can only repeat, "The Chinese people have learned through centuries of periodic crises and changes of government that the individual must rely largely upon his own abilities and efforts. Therefore, the idea of not fighting to the death any measure aimed at taxing is an insane one. By the same token the average Chinese only smiles when one mentions public duty or some other such phrase as a reason why he should voluntarily disgorge some of his property....

"What is needed is a thorough-going reform of the entire tax system *and* of official thinking about taxation. Once a sensible tax program is instituted a great deal of the public resistance to payment will be weakened. If the public is convinced that taxes are just and reasonable—and that there is no escape from them—collection will be easier and, we believe, more revenue obtained. Until such a system is inaugurated, virtually everyone will do their darndest to escape normal taxation and their double darndest to escape extra or 'special levies'."

One Bright Spot

IN these trying times when different parts of the world are engaged in either a shooting war or a "cold war" it is somewhat of a relief to discover that the United Nations does have some successes of which it can be proud.

The Food and Agriculture Organization of the United Nations has made definite—and even spectacular—achievements since its inauguration more than two years ago.

All of its operations have covered fields which are of great importance to the peoples of the world. No single one can be claimed of greater consequence than the other. For example, in the long-range job of expanding world output of food supplies, FAO has been recommending allocations of scarce commodities to both exporting and importing nations. And, with only recommending power, it has seen 90 percent of its recommendations carried out.

The FAO recognizes no single area in the world as its sole theater of operations. Its war against rinderpest, a scourge to China and nations in Southeast Asia, has been carried on with favorable results. Using UNRRA equipment and FAO assistance, the Chinese have set up a laboratory at Nanking to produce both avianized and a new lapinized virus vaccine. They are now in the process of a one-year program to vaccinate all of the 15,000,000 head of cattle and water buffalo in the 13 provinces south of the Yangtze.

With a world in need, FAO is also fighting waste and loss in food already produced. It has estimated that loss of rice and bread grains to rats, insects and fungi last year amounted to about 33,000,000 tons. As a result, FAO technicians have been at work in an attempt to diminish these huge losses. FAO has published two studies on infestation and how to fight it.

FAO was instrumental in a new revolution in Europe—a revolution represented by $300 worth of seed. Spring plantings this year tried out in thirteen European countries as well as in the Middle East, the kind of corn—hybrid corn—which boosted America's output almost 20 percent in the first few decades.

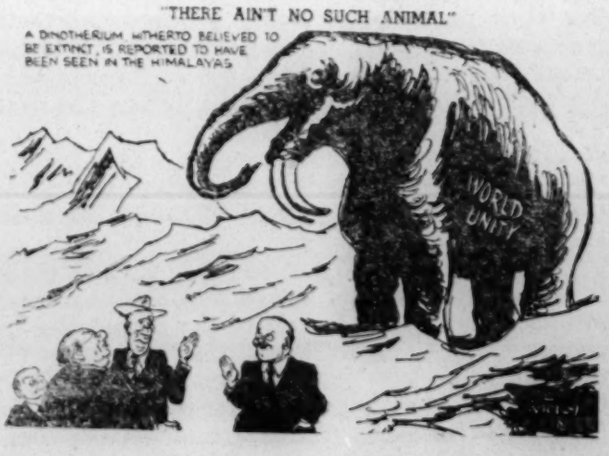
FAO's timber work has been among its most dramatic achievements. It has quickly yielded extra supplies to meet a desperate post-war European need. It also has assumed the task of afforestation of treeless expanses in China, southeastern Asia and the Near and Middle East. In this field, a few steps have been taken already. Six miles downriver from Nanking is the small island of Pa Kue Chou. Ten thousand people live there on 10,500 acres of arable land and 1,200 acres of swampland. The war cut the island off from mainland communications. Desperate for fuel, the residents even were forced to chop down the villages. The island was soon stripped of all trees and erosion washed away much of the rich farming land. FAO joined with official organizations and provided more than 2,000,000 willow cuttings. By fall, erosion should be checked and fuel available for the winter.

Many other instances of FAO projects or aid throughout the world could be cited but it seems to us that the truly important idea gathered from the work of this small segment of the United Nations is its ability to go in for constructive work, the kind that shows everyday results to the millions who need it.

Police Action Ineffective

DURING the past weeks, the authorities have taken several steps in an attempt to force prices down; they have arrested some black-marketeers, they have dismantled telephones and have supervised markets. Further regulations as to how to buy and sell goods are expected to be announced very soon and may already be made known when this issue of the *Review* appears. Frankly, we doubt if all these efforts will meet with much success. While doubting neither the efficiency of the offices in charge nor their good intentions, we are certain that lasting improvements can be achieved only by economic means. No disease can be "ordered" to disappear.

When the authorities decided to devalue *fapi* so rapidly that the official exchange rates went up about 400 percent in June alone, they must have thought of the consequences. They are well-trained bankers and economists and as


"THERE AIN'T NO SUCH ANIMAL"
A DINOTHERIUM HITHERTO BELIEVED TO BE EXTINCT, IS REPORTED TO HAVE BEEN SEEN IN THE HIMALAYAS
WORLD UNITY

This cartoon, by Vicky in the *Daily News Chronicle* (London), indicates the growing feeling of cynicism about world peace. It employs a news story about the discovery of an ancient animal in the Himalayas to carry its point. Most people discounted the story of the prehistoric beast and, so the cartoonist believes, most people do not think unity among the Big Four is possible.

such must have known that one cannot devalue a nation's legal tender so rapidly without taking the quite normal consequences into consideration. Official devaluation of a currency means that its buying power declines by as much as its value decreases. In other words, when one announces that one dollar US currency is worth over two million CN dollars, although one had sold it at less than CN$500,000 a few weeks earlier, it is evident that prices must follow suit.

That development was to be expected even if no idle funds had been accumulated in northern provinces and remitted, either legally or illegally to Shanghai and Canton. The fact that huge funds were remitted certainly increased the speed of inflation, but by no means are idle funds the chief reason for what has happened on both the commodity and stock markets. Thus, when the authorities try to stop, or at least diminish, remittances they are on the right track, but their success in this respect cannot increase the buying power of *fapi* which they have decreased themselves.

When one asks why such huge funds are idle, he certainly will hear that their owners see no way to invest them. And when they look for investment, they are thinking of safe investment that would protect them against the manifold dangers of inflation.

While possibilities for genuine investments are scarce, holders of idle funds cannot legally use their capital for improving the commodity market situation either; they cannot order goods abroad, they cannot import, they cannot compete against what little stocks are sold at high prices. For, while the authorities have devalued the legal tender, they have not altered their import restrictions and, therefore, have done nothing to force prices down by increasing supplies.

The authorities have increased public utility rates, postage and transportation fees. To do so not only was their right but their duty. But they must not be astonished that commodities as well as securities follow suit. And when foreign exchange rates increase almost 100 percent per week, businessmen would not be worth their positions were they not looking after their interests. Those who sold at prices fixed in accordance with *fapi's* devaluation during the first week of June lost tremendously when the official devaluation continued during the whole month. Only by increasing their prices above the devaluation level could they hope to safeguard their substance.

There are several ways to stop further price increases by economic means and the ways and means certainly are known to the authorities in charge. We seriously doubt that police activities can solve the problems involved. If the Government is in a position to create possibilities for safe investment, if competition on the commodity markets can be increased, if exporters are permitted to import essential commodities for the amounts in foreign exchange derived from their sales, the situation could be improved. Such means certainly would have far better results than the police can ever achieve.

25 Years Ago In *The Weekly Review*

Out Of Touch

July 21, 1923.

It has long been recognized by the Chinese people generally that the Chinese government which has been functioning in Peking for several years is unrepresentative and out of touch with the public opinion of China. Now it is equally embarrassing to the foreign community in China to be forced to admit that their diplomatic representatives in Peking are also more or less out of touch with public opinion and current thought in China. This is amply shown in the lack of response on the part of Peking to resolutions which have been adopted by the British, American and Japanese chambers of commerce in Shanghai and other parts of China regarding conditions in China and recommendations for foreign governmental action.....It is a fact that the delay of the diplomatic body in taking a definite stand for better conditions in China has brought dismay alike to thinking foreigners and intelligent Chinese—and especially the important classes of Chinese businessmen and bankers who see their country bankrupted at home and abroad, their fellow nationals in the interior reduced to misery and the good name of the country completely destroyed among the nations of the world because of the actions of an irresponsible bunch of militarists who are still living in the middle ages from the standpoint of modern intelligence and human conduct.

* * *

Mere Book Learning

Thousands of Chinese young men have been educated in American universities and colleges and although the results have been generally good they have not been completely satisfactory. The unsatisfactory feature has been due to the overemphasis on mere book learning as a result of which many of the students have returned to their turbulent homeland full of theories but often without the practical ability to apply them to the conditions confronting them.....What China needs is not "scholars" who are afraid to soil their hands, but men with nerve who are willing to take off their coats and go to work.

10 Years Ago In *The China Weekly Review*

Guerrilla Tactics

July 23, 1938.

If Japan feels like blaming any one thing (outside of her own blunders) for this prolonged war on China soil, she can shudder and point a finger at China's guerrillas....Much of the guerrillas' tactics have been learned from the former Red Army which became the 8th Route Army of the 18th Army Corps. In the days of civil strife, the mobile bands learned to strike swiftly from the hills, and return as swiftly with nary a trace of whence they came or where they had gone. They became experts in mobile warfare and guerrilla tactics. As army for positional warfare they are practically useless, and, naturally, make no attempt to fight such a war. But they are decidedly effective in harrassing the Japanese to the point where each soldier is fit for an asylum.

* * *

British Bondholders

A primary and fundamental element which one must always keep in mind in any consideration of British policy is the protection of British investments. British bondholders are so well organized that they can bring immediate pressure to bear on the government in the event of a crisis developing anywhere that is likely to adversely affect British investments. Often the matter of protecting the interests of bondholders is emphasized to the detriment of traders.

Relations Between Taiwanese And Mainlanders Aggravated

H. T. Lee

THANKS to the atomic bomb and the Russian attack upon Japanese-dominated Manchuria, the Japanese war of aggression was ended. Besides rejoicing at the victory over Japan, every Chinese was looking forward to the better days which were supposed to be in store for him after the cessation of hostilities.

Occupied areas were liberated, the much hated Japanese aggressors were repatriated, communications between the occupied areas and the interior were resumed, news and correspondence were exchanged between the war refugees and their families.

But in North China rumors of war were still in circulation as peace talks between the Communists and the Central Government came to a deadlock.

Favorable First Impression

Anticipating the impending Civil War, I gave up my intention of returning to Hopei Province where my long separated parents resided, and instead came to Taiwan soon after its liberation and joined the former Office of Governor-General as a minor official in the hope that during the forthcoming storm and stress the island might be a good place of shelter.

Upon my arrival in Taiwan, every thing in the island impressed me favorably; the extensive network of railways and highways, the available public facilities which made my life comfortable, and above all the friendly attitude of the natives toward newcomers which I had never witnessed on the China mainland.

I still remember that soon after my arrival in Taiwan I was sent out to Taichung to sponsor a government rice-buying campaign since there was a serious food shortage then in Taiwan caused by the following factors. During the war, all Taiwanese foodstuffs were requisitioned by the Japanese Government for war purposes. The Japanese Government maintained a type of "rationing" system, i.e., all the rice collected from the people was used for feeding the army and its surplus was rationed among the people. As the rationed rice was far short of the actual need, many civilians in Taiwan were half-starved. Despite the control of the government, a black market in rice came into existence. Some well-to-do people who hadn't enough to eat often resorted to the black market for their daily meals at exorbitant prices, while the poor subsisted on other cereals and vegetables. After the fighting ended, controls over the rice market were lifted. Anticipating a serious rice shortage, Japanese and natives competed with each other to purchase rice and as a result of this, the rice price in Taiwan skyrocketed. Rice holders and sellers, in anticipation of further increase in rice prices, were reluctant to put their rice on sale.

To relieve the rice shortage, Governor-General Chen Yi deemed it advisable to resume the rice rationing system. Being afraid of meeting with opposition from the people, government officials were dispatched to various rice producing centers to stage a government rice buying campaign and to prevail upon the people to sell their surplus rice to the provincial government at a price fixed by the government. In return the provincial government would re-sell the collected rice to the needy at the same price so that the supply could be adjusted to the actual demand, making it impossible for anybody to hoard rice for profit.

People Cooperate

With this in mind, each of us traveled around in a special district to give publicity to the government rice policy and to call upon the people to cooperate in combating the prevailing rice crisis.

In a mass meeting held in Changhua, a little town in Taichung Prefecture, I made a speech to the local people who assembled in the town hall at a given time. After pointing out the merit of the government rice policy, I gave a detailed account of the deplorable lot of the Chinese people on the mainland in order to arouse sympathy and patriotism. I told how they suffered from the scourge of heaven and man-made calamity; how the dry season ruined their crops and the Yellow River flood wiped out their beloved homes; how the ruthless Japanese bombings had killed their families and razed their homes. On hearing this, some of them were deeply touched. The sentimental attachment of these sympathetic souls to their mother country has not been uprooted by fifty years of alien rule. They enthusiastically pledged their support to the government policy on the grounds that it would help the welfare of the people of the whole island.

After the meeting was over, I was conducted by some local celebrities to a Chinese temple in which the traditional Buddhist gods were enshrined. I was told that this temple was established in the Ming Dynasty. At every festival pious people crowded into the temple burning incense and asking for boons. The four walls of the temple were painted with drawings dealing with Chinese mythology which, as they said, always reminded them of their homeland. Under Japanese rule, the following of Chinese customs on the part of Taiwanese was strictly prohibited. But Chinese traditions and customs were deep-rooted in the heart of every Taiwanese and all efforts made by the Japanese to eradicate them proved futile.

Friendly Scholar

On one occasion, I was invited to the home of Mr. Ting Ju Ping, one of the Taichung City councillors. He was a graduate of the former Provincial Economic College and had been in Shanghai for several years before the war. He was well versed in Chinese classics, for his forefathers were among the last emigrants to Taiwan from China proper. After talking with me about the Four Books and Tang Poems, he produced a few stanzas of a Chinese poem written by himself in classical Chinese. Though well read in Chinese classics, he was not good at speaking Chinese. Sometimes we had to write out expressions instead of speaking them.

His friendliness to me made me feel at home. I felt toward him as I would toward a long-separated friend whom I had met in a strange land. I felt safe to open my mind to him. After lunch, he proposed that we take a walk and as we strolled side by side along the street, some children came after us and shouted with glee, "Long live the Republic of China!"

Who can say that the Taiwanese have been estranged from their mother country under alien rule? On the contrary, the longer they are separated from her, the closer they are attached to her after being reunited. To my best knowledge, they are more patriotic and loyal to China than are their brothers on the mainland. They hoped, however, that under the rule of their mother country their living conditions would be bettered and their social status would be elevated from that of colonials to that of free citizens.

Rice Shortage

But unfortunately, after the Japanese surrendered, civil war broke out in China when the peace talks between the Communists and the Central Government reached a deadlock. As the war goes on there is a constant drain on the purses of the island people as well as other provinces. For instance, in order to feed the war machine, Taiwan rice is flowing in large quantities to the mainland, thus causing a serious food shortage in Taiwan.

Inefficiency and bad administration on the part of the provincial government have driven the Taiwanese to utter despair. During the time of taking over from Japan,

graft and corruption became the common practice of high ranking officials. In the City Council, discontent with the government was voiced by the Councillors, but to no avail. The provincial authorities, instead of taking action against these corrupt officials, had only rendered them lip service to smooth the matter over.

Disappointed with the government, the love of the Taiwanese for their mother country was gradually replaced by hatred, which culminated in the uprising of Feb. 28, 1947.

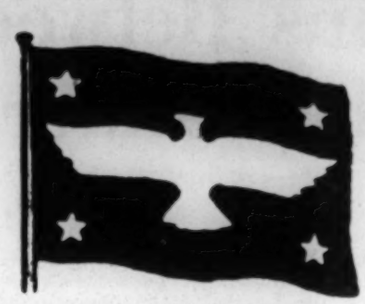
After the uprising, Governor-General Chen Yi was removed from office. Dr. Wei Tao-Ming, former Ambassador to France, succeeded him as governor of Taiwan province. A comparison between them shows that one is no better an administrator than the other. Though facing failure in his administration of Taiwan, Governor-General Chen had long wished to do good for the people. He, himself, is honest and diligent. During his tenure of office, he led a simple life and devoted all his energy and time to public affairs. His failure in the administration of Taiwan was entirely due to his overconfidence in his subordinates and his impractical administrative policies.

Wolf Vs. Tiger

On the other hand, our Dr. Wei knows how to enjoy life. He lives in the imposing edifice of the former Japanese Governor-General, possesses several motor cars of the latest model, and is guarded by well-dressed guards. All day long he is busy with sightseeing inspections and with receiving "big shots" from the Central Government. He shows little concern for the welfare of the Taiwan people. In one instance, when the seasonal typhoon attacked Lo-tung, a small town along the eastern seacoast, he went there by train to extend his sympathies to the calamity-stricken people, accompanied by his retinue of over a hundred people. It can be imagined that the expenditure for this trip, amounting to several million in Taiwan currency, would have benefitted the sufferers considerably more if used for relief purposes.

In a speech addressed to the people, Dr. Wei once jokingly compared Governor-General Chen to a tiger and himself to a wolf. Though both are regarded as ferocious beasts, the latter is supposedly less ravenous than the former. But Dr. Wei forgot that the latter is characterized only by ferociousness and cruelty while in the former there is something of nobility as well as ferocity.

Since the recovery of Taiwan, the attitude of the Taiwanese toward the mainlander has undergone three successive changes—expectation, despair and hatred. Since the uprising of February 1947, dissatisfaction with the provincial government has not been voiced openly. But in their innermost hearts the Taiwanese are nurturing a suppressed hatred for the government which is growing day by day. If the chance arises, they will probably once again give vent to it in open rebellion and violence.



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Syngman Rhee's Victory At The East Gate

Hugh Deane

Seoul, Korea.

EAST Gate District A in Seoul was quiet on May 10, the day of the United Nations-observed elections throughout South Korea. The polls were closed and, except for the patrols of the young men of the Neighborhood Defense Corps, wearing armbands and carrying clubs, few people ventured abroad. Dr. Syngman Rhee, who recently described himself to an American correspondent as "the national leader of the Korean people," was the unopposed candidate for the district's seat in the legislative assembly. In the afternoon Dr. Rhee received the Korean press. "I wish to thank the voters of the East Gate District for giving me the privilege of serving them as a member of the legislature." he said.

Until May 7, Dr. Rhee had one opponent, Choi Neung-chin, formerly chief of the detective bureau of the South Korean police. He fled south from the Soviet zone of North Korea late in 1945 and became a follower of Dr. Rhee. Now bitterly opposed to Rhee, he describes himself as a "liberal and Koreanist." On May 7 Choi was disqualified by the National Election Committee on the grounds that 57 of his 217 recommendations (200 required) were forgeries or obtained by misrepresentation.

On April 12, Choi brought over 300 recommendations to the East Gate District A election office but the officials refused to certify them.

That evening Han Kun-cho, Deputy Chief of the Department of Justice of the South Korean Interim Government, came to see Choi. "Dr. Rhee sent for me this afternoon," he explained. "He hears that you intend to run against him in the East Gate District. I entreat you earnestly to give up the idea."

The last day for registration of candidates was the 16th. On the 13th an American G-2 agent went with Choi's men in a second attempt to register. "No business is being conducted today," the officials stated. "An official has taken the seals away and won't be back for three or four days."

On the 14th, Choi called on Dr. Harold J. Noble, a G-2 official. He explained that he wished to bring the case to the attention of Military Governor William F. Dean and the United Nations Commission. "Why go to UN?" Dr. Noble asked. "Do you want to make propaganda? General Dean is the proper authority."

On the 15th, Choi saw General Dean, Afterwards, accompanied by a G-2 agent and a National Election Committee official, he went again to the district election office. Things seemed to go smoothly. A large group of young men and police were gathered at the office but the G-2 man said, "Don't worry. General Dean himself has ordered the police to safeguard your interests." But a few hours later a gang of young men attacked Choi's workers, seized the bags containing the recommendations and fled. The police were able only to arrest two of Choi's men.

On the 16th, Choi saw General Dean who phoned an order to the National Election Committee to complete the registration, even though Choi had not yet been able to replace all the stolen recommendations. Accompanied by Lieutenant George Reusse, Dean's aide, Choi went to the district election office. "We can't accept a verbal order, we must have a written one," the official said.

Choi and Reusse obtained a written order and returned to the office. Then the official declared that the recommendations were not all in order. The names of those who had signed had to be checked against the lists of registered voters. Choi and Reusse went to the various registration offices to obtain the necessary certificates. About 6:30 p.m. they returned to the district office. Two policemen were sitting in the corner. "I can't register you," the official declared. "I've thought it over and I can't do it."

Then Myong Jei-sei, one of Dr. Rhee's chief subordinates, came to the office and asked about Choi's candidacy. "I had to register him. One of General Dean's men was here," the official explained. "Why didn't you close the office on time?" Myong asked angrily.

A half hour later the official went to Choi's man and informed him that Choi's application for registration had been rejected.

On the 17th, Choi went to see General Dean who told him not to worry. The next day, Choi's men obtained additional recommendations to make the total 217. On the following day Choi appealed his case to the municipal election committee and on the 20, in accordance with its decision, he was registered.

Problems Continued

Foreign correspondents soon discovered that Choi's problems were not all solved. Choi was unable to rent an office in his district or even to put in an appearance there. When his men put up posters, they were either torn down by youth corps members or covered with safety regulations by the police. Choi went to live in the home of a friend, guarded by a score of young men.

On May 6 a correspondent in a jeep followed two truckloads of Choi's student campaign workers into the East Gate District. The trucks stopped a few times and the students gave short speeches and distributed leaflets. Then the police came and said that the trucks would have to get off the main streets. The trucks separated and the correspondent trailed one of them along a sidestreet. It was stopped at every corner in front of the police box. A policeman would read the permit papers carefully and then a corporal would come out and study them. Eventually the truck would move on. for a block.

The police arrested the four men in charge of the two trucks and turned them over to the local Neighborhood Defense Corps, an organization of deputized youth corps members. The four were held overnight and beaten. In the morning two were taken to the hospital.

Choi Appeals

After a number of his men had been attacked, Choi appealed to the National Election Committee. The committee referred him to the police. He wrote a letter to Chief Chang Taik-sang but received no reply.

The police, assisted by the Neighborhood Defense Corps, undertook an investigation of those who had signed Choi's recommendations. After long questioning, they discovered that in some cases men had signed for their wives or other relatives. Other signers eventually testified that they really had not known what they were signing. Some later reported that they were shown pictures of Dr. Rhee and Pak Heun-yung, fugitive Communist leader. "Do you mean to vote for Pak against Dr. Rhee?" the police inquired. "Only Reds are against our national leader."

Asked about the Choi case at a press conference on May 8th, the National Election Committee stated, "We tried to be fair. We even gave Mr. Choi several days grace to complete his registration. But having ascertained by scientific methods that 57 of the recommendations were spurious, we had no alternative but to void his candidacy."

On May 13, an *Agence France Presse* correspondent polled passerbys in the East Gate District. Those interviewed were not asked their names, only their occupations. Out of a total of 14, eight whispered they would vote for Choi in an election, four said they would vote for Rhee, one said "Circumstances being what they are he had no preference and one said, 'Circumstances being what they are in South Korea—and I hope you know what they are—I do not care to make a statement on a public sidewalk." A doctor was particularly vehement: "Of course I would vote against Rhee. Thirty people in my neighborhood have been beaten up by the Neighborhood Defense Corps . . ."

Choi appealed his case to the United Nations Commission and the American command. General Dean appointed a committee of three Americans to investigate. On May 14th the committee interrogated Choi, asking him when he had decided to run, why he had chosen the East Gate District, if he had thought he could win and whether he would run again in case a decision was reached in his favor. The committee found that witnesses were reluctant to appear, but by late May it had determined that the signatures or fingerprints of 18 out of 23 witnesses were spurious. This reduced the number of Choi's valid recommendations to a maximum of 199, one less than the required number, and the investigation was concluded.

China's Poor Start Toward Constitutionalism

C. Y. W. Meng

FROM May 1948, and with the election of Generalissimo Chiang Kai-shek and General Li Tsung-jen as the first constitutional President and Vice-President, China is supposed to have ended the so-called "Period of Political Tutelage," and entered a new period which is known as the "Period of Constitutionalism." as referred to by the late leader Dr. Sun Yat-sen, the Father of the Chinese Republic. Therefore, many people in the country as well as many of China's well-wishers are looking for a *New* China full of hope and a bright future. Undoubtedly, all eyes in the world are now focussed on how this young Republic of the Orient will operate as a democracy in this chaotic and divided postwar world.

However, in studying some of the recent events, we find China did not start out well on the path to constitutionalism. In pointing out these instances, let us make it clear at the very start that we do not have the slighest intention of discrediting this new Government. On the contrary, we are only animated by the spirit of one old Chinese aphorism which reminds us that "知過則改," or translated literally, "When one knows his faults, he will rectify them." With this intention in mind, we intend to discuss four recent events, and these are:

1. The "July 5 Tragedy" in Peiping,
2. Banning of *Hsin Min Pao* "permanently" in Nanking,
3. Stoppage of "Spiritual Food" for the people.
4. The "Public Parading" of two cotton brokers as a "punishment" in Shanghai.

The July 5 Tragedy

What has happened in our old capital on July 5, involving the death of 14 students by July 8, and wounding of "fully 100 students" (*AP* report, Peiping, July 8) and another score of arrests, needs no further description by us.

Under a democracy, an instance of this kind, involving the death and wounding of so many young people by the police and armed forces should have received nationwide attention. An emergency order for an impartial investigation of the whole incident and for a speedy and fair settlement should have been given by the Central Government. The one who opened fire without authorization should be severely punished. But so far as we know, no such action has been taken.

What has been reported by the *Central News Agency*, the official news agency, is very different from what was reported by other observers and eyewitnesses. The *Central News Agency* insisted that the students started firing, but so far death is on the students' side. Part of the *AP* report dated July 8, from Peiping reads as follows:

"Meanwhile, *Central News* backed down on its story alleging that two soldiers, Li Shih-kwei and Li Ying-huai, died of injuries received on Monday (July 5).

"The agency now said the two soldiers were encircled by the students during Monday's clash. They were missing when their unit returned to camp. It is believed they were taken by unidentified persons and secretly executed.

"This version was received with as much scepticism as the original one which was that all that an important Chinese police officer, who was on the scene during the shooting, had privately told the *Associated Press* was ALL NONSENSE."

3,000 Refugee Students

Looking back, about 3,000 "Refuge Students" from nine north-eastern (Manchurian) universities and one middle school have long been disgruntled over the lack of proper housing and adequate food, and the failure of the authorities to subsidize their enrollment in universities in Peiping. They simmered and then boiled over at an alleged Peiping city council's proposal which called for the conscription of all Manchurian refugee students, their transfer to army camps, political screening and competitive examinations to decide which merited entry into the temporary Manchurian University and middle school in Peiping.

At the height of their anger, these students wrecked the Municipal Council Hall, and were marching to the residence of Hsu Wei-tung, who was reported to have introduced this screening bill. The steel-helmeted gendarmes, armed with rifles, reenforced the police guarding Hsu's house and fired point-blank at a crowd of students and demonstrators.

As we were not eyewitness to the incident, it is not our intention to pass judgment as to who fired the first shoot. Part of the *UP* correspondence report dated July 5 from Peiping reads:

"The Commissioner, (Pei Shih-wei) then calmly asked the students to go home and take up the matter again in the morning; they started home when the troops around Hsu Wei-tung's house, separating the students into two masses, suddenly opened fire.

"Apparently, someone fired a shot among the students in the eastern group along the Legation Street, but point-blank fire also opened up along the west flank, narrowly missing Commissioner Pei and a group of officials who dropped to the ground and crawled toward the wall by the side of the street.

"I clearly saw soldiers following the running students and firing at them as fast as their guns would reload.

"Every army and police officer I talked to on the spot gave the same explanation for the shooting: 'The students insulted the soldiers all day. They are tough troops. When that shot was fired, they lost their heads.'"

No Justification

Two days after this bloody incident, *UP* commented: "The general attitude of observers seems to be that the students are in for considerable criticism for wrecking the Municipal Council Hall, but that was not justification for the shooting." And the *AP* report of July 7 added that: "While some quarters think the students have been asking for trouble, most deplored Monday's incident as an appalling affair which could well have been avoided," and that "There is no tendency anywhere, however, to consider it as having been timed to coincide with the present visit to Peiping of Vice-President Li Tsung-jen."

As was pointed out by 10 Manchurian professors, in their letter to General Fu Tso-yi that "If these students were not real students, they would not have come to Peiping."

These comments from foreign news agencies and the explanation from the Manchurian professors who certainly know the students well enough should have given a great deal of food for thought to those who are fond of attributing every incident to "Communist Agitation."

As before, we have not seen any constructive steps being taken to settle the whole incident, but we have always seen the operation of the "Divide and Rule Policy." After a students' demonstration, another "Anti-demonstration Demonstration" is always set up. In the early part of April, after the students' strike, about 50 demonstrators belonging to an "Anti-Strike, Anti-Violence and Traitor-Liquidation Committee," rushed into the professors' dormitory of National Peiping University, through a side gate, ripping the doorman's room apart breaking all the window panes, and smashing telephones, meters, fuse-box and desks. Two hours later the demonstrators massed outside of the university and moved on for an unknown destination, singing the Chinese national anthem. (*UP* report dated April 12, from Peiping).

This time about 500 to 600 members of the so-called "Anti-Communist Vanguard" broke into the

campus of National Tsinghua University, and staged an anti-Red demonstration. Students of the University, angered by the incident, petitioned its president to take steps to assure their security. Meanwhile, students of National Peking University planned the formation of "security patrols." (*AP* report dated July 12, from Peiping).

A student delegation, representing eight North China universities, was received by Vice-President Li Tsung-jen. According to a *UP* dispatch dated July 7, the Vice-President assured the students of his help and sympathy. But from university sources, the Vice-President was reported to have told the students that he would like to help them, "but his hands were tied," added the report.

According to another *UP* report dated July 9, Vice-President Li told the student delegation that he would try as an individual to intercede for them, but emphasized that he was not in a position to interfere with the municipal affairs and that the municipal authorities are not obliged to follow his orders. In his interview with *UP*, the Vice-President admitted that "the authorities in Peiping are not obliged to give me the facts."

While the student delegations were coming to see the Vice-President, four armored cars pulled up outside his quarters. The Vice-President stated: "I did not send for these troops and I do not want them." (*UP* report, July 9) He requested the cars to go away, and they did.

There is no doubt that China's first Vice-President's sympathy is with these "Refugee Students," and that he is opposed to using force to deal with them.

Hsin Min Pao Banned

A couple of days after the "July 5 Tragedy" in Peiping came another instance which put one of China's independent daily papers, having a 20-year history and the largest circulation in Nanking, out of existence. In an unprecedented move, the Central Government, on the night of July 8, banned the *Hsin Min Pao* "permanently from publication" on charges of violation of Article 21 of the Publication Law of "disseminating communist propaganda and attempting to discredit the National Government."

In a separate order, the *Truth News Agency* was also suspended on a similar charge.

The official order to ban the *Hsin Min Pao* was issued by the Ministry of the Interior and was transmitted to the office of the paper by the Social Affairs Bureau of the Nanking Municipal Government.

According to an *AP* report dated July 9, "Informed sources told the *Associated Press* that Moscow-educated Interior Minister Peng Chao-hsiang had been compelled to resort to this measure against the press under pressure from the right-wing CC Clique within the Kuomintang."

The popular reaction in this case is that the punishment meted out to the *Hsin Min Pao* was "too severe to fit the crime." Even among some officials, it was felt that the newspaper should, at most, have been suspended for a "reasonable period." Liu Pu-tung, Legislative Yuan member, said that the Government's sudden action in permanently banning the Nanking independent *Hsin Min Pao* is an "excessive measure."

Because the Government's action was based on the charge of violation of Article 21 of the Publication Law, it is therefore necessary for us to to look at this law. As was pointed out in an editorial of the *Ta Kung Pao* of July 10, "The present Publication Law is really incompatible with the spirit of the times." Article 21 of the Law reads:

No publication may print anything which seeks to overthrow the Kuomintang or in contradiction with the Three People's Principles, which seeks to overthrow the National Government or to the detriment of the national interest, and which seeks to upset public peace and order.

The *Ta Kung Pao* pointed out that Section One of the above Article is hardly compatible with the fact that China today has entered the constitutional era, while Sections Two and Three are too ambiguous and may be open to various interpretations.

Protest Lodged

In a protest against "The Killing of Freedom of the Press by the Government in Violation of the Constitution," and simultaneously as a protest against the banning of the *Hsin Min Pao* in Nanking, no less than 24 writers and jurists in Shanghai lodged a bitter protest, and stated that the present Publication Law is in fact no longer valid. Article 170 of the Constitution provides that "By law as stated in this Constitution is meant law which is duly adopted by the Legislative Yuan and promulgated by the President." Article 171 further provides that "Any law which comes into conflict with the Constitution should be void." The protest points out that as the old Publication Law did not pass the new legislative procedure, it is therefore not a law. Secondly, this old Law comes into conflict with Article 11 of the Constitution which guarantees freedom of speech and publication to the people.

In other words, the Publication Law which was cited in the closing order of the *Hsin Min Pao* was only for the "Period of Political Tutelage." But with the adoption of the Constitution, it should have gone out of existence.

Nevertheless, despite vehement protest and public resentment, which under a democracy should be strong enough to force the authorities to reconsider the banning order, no action has been taken by the Executive Yuan so far either to rescind or modify the order from the Ministry of Interior.

Not only that, but the Legislative Yuan in its coming 15th meeting will discuss the proposed new Publication Law which, according to the current report, is based on a revived version of the original Publication Law promulgated in 1930. The law lists the following offenses subject to banning either temporarily or on a permanent basis:

1. Articles and propaganda calculated to overthrow the Government or to endanger the Republic of China;
2. Articles and propaganda calculated to undermine China's international relationships;
3. Articles and propaganda calculated to injure public welfare and disturb public order;
4. Articles and reports which injure the good repute of the head of the state of the Chinese Republic or the head of the States of those countries having friendly relations with China;
5. Articles and reports injurious to good morals and customs;
6. Articles and reports injurious to the good repute and standing of others;
7. Articles and reports of legal hearing in camera; and
8. Discussion of court cases *sub judice*.

This law gives the Ministry of Interior the power of interpreting the statute, citing the offenses of the papers concerned and enforcing the punishment. The law calls for no judicial process of a court hearing and the papers banned either permanently or temporarily can only seek redress by making appeals to higher administrative organs. In addition, the law can also be enforced by the various local *hsien*, municipal and provincial governments, subject to a report to the Ministry and the latter's review.

CC Dominates

With the "CC Clique" dominating the Legislative Yuan, many publishers have expressed their fear that such a Publication Law would be eventually adopted. "Then all publications other than those published by the Government would be suspended." (Translated from the 24-man's protest against "The Killing of Freedom of Press by the Government in Violation of the Constitution" published in *Ta Kung Pao*, July 12).

It is also clear that the Ministry of the Interior will have wider powers to ban papers under the "Period of Constitutionalism" than that under the "Period of Political Tutelage." In this connection, it is of some interest to cite some passages from an article describing "Interior Ministers of Europe Now Key Men," which read as follows:

"In the heated struggle of ideologies that dominates postwar Europe, a new concept of the most important post in a government has emerged. In case after case—in front of as well as behind the Iron Curtain—that post has been shown to be the Ministry of Interior. Technically, a subordinate cabinet member, the Interior Minister in many lands today is more powerful than his Prime Minister. Never in recorded history, with the possible exception of Nazi Germany and Fascist Italy, have Ministers of Interior, whether of rightist or leftist convictions, ruled with such arbitrary, merciless efficiency.

"It is equally true that many nations still outside the Soviet sphere and threatened by the menace of spreading communism have been forced, more and more, to reply on the ability and ruthlessness of the men who run their police forces to keep the communists from grabbing power by one means or another." (See "Interior Ministers of Europe Now Key Men" by W. H. Lawrence in *The New York Times*.)

"Spiritual Food" Stopped

Before one storm is over, another storm arrives. Beginning with the tenth of July, 16 Chinese periodicals published in Shanghai suspended their publications in protest against the "exorbitant" airmail postage rates for newspapers and magazines, which was doubled over that of ordinary letters recently announced by the Shanghai Post Office. According to the announcement, postage for ordinary air mail was hiked from CN$10,000 to CN$30,000 per 20 grams as from July 5, and that for air mail of newspapers and magazines from CN$10,000 to CN$60,000. As most periodicals are sold at less than CN$100,000, a queer situation is created whereby the postage is higher than the selling price.

In a protest statement newspaper publishers asserted that previous to this adjustment air mail postage for newspapers and magazines was the same as that for letters. This was already against the principle of aiding cultural enterprises. The step taken by the Government was unreasonable both from the stand of magazine publishers and that of the nation's cultural program.

Having been in China's interior during the war years, it is well known that many people there are really suffering most tragically from "Mental Hunger," and that these people are in urgent need of more "Spiritual Food"—books, magazines and newspapers. Should such an "exorbitant" air mail postage be permitted, many of them will simply have to starve to death *mentally*, as there is no doubt that many people in the interior are too poor and cannot afford to pay for the costly air mail postage. At present, it takes about one month for newspapers, magazines, books and other printed matter to reach Chungking, and longer to reach Kunming and Kweiyang, and still longer to reach Lanchow and Tihua, if the water and highway routes are used.

These 16 periodicals are: *The Outlook Weekly, Time and Culture, World Knowledge, The Observer, The Digest, The Industrial and Commercial World, The Economic Weekly Review, The Economic Critic, Banker's Weekly, The Textile Industry Weekly, Kuo Kwan* (in English), *The Reconstruction Review, The Life of A Youth, The Municipal Review, New Road* and *Rebirth*.

These are some of the nation's leading independent and non-partisan periodicals. They are the "Spiritual Food" for many people in the interior. But they are now the worst sufferers. *The Observer*, one of the most popular weeklies in China, for example, has a circulation of 48,000 copies, 25,000 of which were delivered by air mail to outports. But now it costs CN$120,000 in air mail postage per copy. Thus it is a foregone conclusion that under such circumstances, the circulation will drop heavily. And what is more important is that thousands of readers in remote cities who have been keeping in touch with the nation and the world through these periodicals will be shut off from this source of information.

Under a democracy, the development of the press is always welcomed as a healthy sign for the growth of the nation. The government should hope for more publications, larger circulation and more readers. It should give just as much assistance and facilities to the cultural enterprises as to industrial undertakings.

But what has been taking place recently amounts to virtually a discouragement of cultural enterprises, and a suppression, by an indirect method, of private independent publications. Let us ask: Which of the two is of more importance: The development of the press and the maintenance of China's culture *or* making up the deficits of the Ministry of Communications by raising the airmail postage for newspapers and magazines? If our authorities would weigh these two alternatives, they would find that the former will certainly outweigh the latter many fold. If the Ministry is really intending to make up its deficits, the first step is to seek government subsidies rather than stabbing and crippling China's infant "cultural enterprise," which are already facing an unprecedented crisis due to high paper quotations and labor costs.

Although by the latest instructions from the Directorate General of Posts, airmail rates on newspapers, books and other printed matter were decreased to CN$30,000 for 20 grams, it is still considered too high. An increase to CN$20,000 is considered as sufficient.

Parading Brokers

Our contemporary *The Shanghai Evening Post and Mercury*, in its July 1 issue, besides producing the picture of two cotton brokers, had the following to report:

"The two cotton brokers, who were paraded through the congested streets yesterday *on their way to* the Shanghai District Court to face charges of illegal tradings, have been released by Procurator Li Shao-shu on $50,000,000 bail, it was disclosed this morning.

"The pair, Chang Siao-keng and Hsu Yueh-sheng, were arrested by agents of the Shanghai-Woosung Garrison Command on July 3. Despite strenuous opposition by the Cotton Goods Brokers' Association and editorial attacks, they were put in an open car and driven across the town through Szechwan, Nanking, Tibet Roads and Avenue Joffre to the district procurate.

"Two large placards, inscribed with identical notices: 'Look at the cotton brokers who disturbed the cotton market and are now being sent to court' were placed on the car. The prisoners were accompanied by armed soldiers.

"Upon arriving at the procurate the two were questioned and allowed bail."

What surprises us most is that these two arrested cotton brokers were paraded ON THEIR WAY TO the Shanghai District Court to face charges of illegal tradings. That is to say, the public parading took place BEFORE the arrested were duly tried and convicted by the District Law Court!

The public parading of a convicted criminal is open to much question, and is considered too ruthless in the eyes of modern jurisprudence, and the public parading of persons *before* a trial by a court is another "unheard of in the world's history!"

Sometime ago, a public parading of two Japanese war criminals took place in Shanghai. We opposed it too. We might try the Japanese war criminals, imprison them and even put them before a firing squad if they are found guilty by our special military court. But we should not subject them to public parading.

Threat To Judiciary

In uttering our opposition to the parading of the two cotton brokers this time, it does not mean that one defends their actions. In the past, we have always called upon the Chinese authorities to enact a special "Anti-Corruption Law" to mete out the most severe punishment, preferably, starting with life imprisonment, for corrupt officials, speculators, hoarders and manipulators. In the past, we have also hoped to see the rapid development of the Chinese judicial administration and the preservation of the integrity and independence of the Chinese judiciary, free from military interference. It is with this concern over the future of the Chinese judiciary that we wish to comment on the public parading of the two brokers, and wish to propose a stopping of such measures as "punishment" which is not provided for by Chinese law.

These are some of the events which have taken place recently in Nanking, Peiping and Shanghai, and which have the impression of a poor start to many observers. But these events have a great deal to do with the security of our life, our political freedom, our constitutional rights, the independence of our judiciary, the progress toward constitutional development and the future of the democratization of the country. For this reason, we bring them up for a brief discussion. We hope more happy constitutional precedents will be created to safeguard our rights, but there should be no effort to virtually nullify these provisions in the Constitution.

Since China has just entered the Period of Constitutionalism, the first thing to do is for both the Government and the people to observe what is stated in the Constitution. No one should lose sight of it. That is the "Starting Point" of our long journey to Constitutionalism. Let us make a good start, for a good start will always bring forth a good result, while a bad start will lead us to self-destruction.

SHANGHAI BUSINESS SURVEY

A REPORT

(In the May 15 issue of the Review, on the occasion of the annual Foreign Trade Week, which is observed yearly by American business communities both at home and abroad, we published a report entitled "The China Trade Picture," which was compiled by several foreign businessmen. Again this week we are presenting another survey of the local scene, which has changed considerably during the intervening weeks. While we may not endorse all the individual statements and findings made in this survey, we do think it is a good job and should be of interest and use to our readers.—Editor)

IT is virtually impossible to view the present situation in China, or the handling of it by the authorities, with any degree of optimism. It has been nearly three years since the Japanese surrender, ending a war from which China emerged potentially much richer than when she started. There was destruction and dislocation of transportation, but in addition to rehabilitation efforts of private business and industry, the US Government has contributed well over two billion dollars to aid China's recovery. These efforts show little apparent result. China is now in a worse condition than during the war. Economically her currency has depreciated in purchasing power, e.g. nearly 300 percent in one month. The budget of the country is about three times more than the expected revenue. Her production facilities are only partially in operation due to restrictive measures of the Government, the high cost of operation, labor troubles, and the disruption of transportation. Above all, the people have lost the spirit and incentive exhibited during the war and the Government has thus lost the confidence of the majority of the people and the help they can offer.

The economic life of the country is reflected in the commercial activity of Shanghai. Business in this city has been in a period of relative stagnation for the past four months, with the exception of a small flurry following the promulgation of new exchange regulations (the details of which will be discussed further in this report). More and more controls are instituted by the authorities even though they have so far been unsuccessful in controlling the prices of China's staple commodity —rice. We seriously believe that these controls aggravate conditions by trying to eliminate the result but not the cause. In one day alone, Friday, June 25, commodity prices increased throughout Shanghai on an average of 30 percent.

Many of China's difficulties can be attributed to the Civil War. The greatest of these is an overly large, inefficient military organization which is a tremendous burden on government finances. Even the brief loss of the capital city of Honan Province, Kaifeng, to the Communists was a tremendous blow to the prestige of the Nationalist Army.

The Communists appear to be winning the Civil War and they are doing so partially because of the economic and political blunders of the Government in Nanking. Recently, there have been a number of anti-US demonstrations by students throughout China. It has been suggested that these demonstrations have the approval of some quarters of the Government to remove political pressure from Nanking by directing attention elsewhere. Whether this is true or whether the demonstrations were fostered by Communist elements is immaterial; the activities were well planned and certainly aided the Communist campaign. Recently, there has cropped up another wave of labor troubles in Shanghai which are also attributed to the Communists. These outcroppings of trouble undoubtedly have the support of the Communists because they do embarrass the Government, but they find active reception among the common citizens as a true protest against extremely difficult living conditions.

We must not, however, overlook the great recuperative ability of the Chinese people. Although there is little room for optimism now, the facts that they are persevering, their economy is basically agricultural, and their history contains centuries of strife, give some reason for hope in the long run. For the present, we can only hope that the Chinese Government, business and individuals, will change their present self-interested thinking and show some real desire to help the entire country.

* * *

Importing And Exporting

As was anticipated, the Central Bank of China withdrew trade-stifling Circular No. 131 on May 31, replacing it with Circular No. 134, which provides a partial export-import "link" system. These new regulations affect only the handling of foreign exchange; import and export regulations otherwise remain unchanged. Although the new system is far from ideal, it has tended to put the exporters monetary problems on a slightly more realistic basis.

Cotton, wheat, rice, flour, fertilizer, and coal are excluded from this regulation and will be provided with government foreign exchange at the Exchange Stabilization Committee rate as during the next 12 to 15 months these items will be for the most part furnished under the ECA program. It is possible that all or certain categories of petroleum products (a ruling now being awaited from Nanking) will be included among the commodities mentioned above as being excluded from this regulation. In the meantime, the oil companies are operating under Circular No. 134.

Today, the exporter operates on a modified link system: He ships his merchandise from China and all the foreign exchange realized is, as in the past, turned over to the Central Bank of China which pays him in local currency at the unrealistic, official exchange rate. In addition, however, and herein lies the new approach, the exporter is given by the Central Bank through an appointed bank, a certificate representing his US dollar exchange which he is allowed to sell in the free market to an importer who must use this certificate for all merchandise brought into China, with the exception of the commodities mentioned above. The importer, of course, must first obtain an import license and purchase foreign exchange at the official rate as well as buy these exchange certificates.

This new system has been in force for such a short time that it is impossible to foresee the results, but up to the present, the conditions of the exporter have not improved to the extent hoped for. In theory, this regulation was to provide a much-needed impetus to dwindling exports by having imports pay for the difference between the proceeds of the sale of export foreign exchange at the official rate and the market price for export goods here which tend to follow the basis of the black-market exchange rate.

It is interesting to note here that producers and dealers in China today sell commodities only when they can replace their sales with the necessities of life, or new goods, respectively, and the price level of these in general stay close to the blackmarket rate, not necessarily because of any inter-relation but because they both reflect the diminishing confidence in the National Currency.

Unfortunately, in a move directly counter to this theory, the authorities, while issuing more import licenses than prior to May 31, 1948, have held the issuance of import licenses down to the barest minimum in order to attempt to hold prices down. It is evident that if this is not changed, the whole new policy will prove as great a failure as its predecessor, for while it is based on more realistic grounds, a realistic interpretation has not been followed by the authorities.

The weaknesses of this effort to give the exporter a chance to get a realistic return for his produce are:

1. Namely that the value of the exchange received at the official rate plus the value of the exchange certificate is still only about 60 per-

cent of the blackmarket rate.

2. When imports and exports are linked, it is obvious that a limitation in imports will produce the same limitation in exports.

The Central Bank reserves the right to buy and sell certificates at whatever price it chooses and can thus control the price of certificates at will. The authorities have used this prerogative twice since this program was inaugurated.

An increase in imports would increase the supply of goods and with a stabilizing effect. A boom in exports would likewise tend to increase production—the most vital factor in stabilizing prices of domestic produce. This is precisely what China needs. In other words, the authorities must realize that in order to have exports move they must provide import license which in turn drive the price of the certificates up to a point where exporters will find it profitable to export. Only in this way will the new system under Circular No. 134 become effective.

Aside from the problems created by the government regulations, importers in general have some individual problems for which no solution has been found in the last two years. One of these problems is the inability to anticipate the issuance of import licenses by the Board. The lack of regularity precludes the possibility of planning operations, and since importers must work on the replacement of their stocks, business proceeds by spurts. Further, the restricted volume demands that prices be increased to cover the cost of operation and in some cases this nearly prices the importer out of his market. A third problem presents itself in trying to protect any surplus funds which might accrue, as Chinese National dollars held idle devaluate rapidly. These funds are not necessarily profits as they might be necessary to cover the cost of later operations, but there is no legitimate, satisfactory hedge to protect these funds. There is, of course, the purchase of real estate for which prices are greatly inflated, and there is also the local stock market. However, these are not secure and there is certainly an extremely high risk involved.

Banking And Exchange

Recently Shanghai banks have been concerned primarily with the operation of the Central Bank of China's Circular No. 134. The procedures mentioned above require the bank to quote two rates; one for the purchase and sale of exchange and the other for the purchase or sale of certificates. The first day rates were quoted for certificates was June 2. This rate was approximately CNC-$360,000.00 to US$1.00. The rate has risen to approximately CNC-$1,950,000.00 in a little more than four weeks.

The importance of these transactions, as far as the banks are concerned, lies in the fact that they furnish the banks with an additional source of income and not an increased volume of business. As usual, there is a vast amount of paper work involved, but it is hoped that in the near future some of this can be eliminated.

Overseas remittances have always played an important part in China's economic structure. They were an important source of foreign exchange. Since the war, however, because of the difference between the official rate and the blackmarket rate, remittances through official sources have fallen off almost to nothing. While the use of Exchange Surrender Certificates has increased the composite rate for remittances a little over three times, it is still approximately only 50 percent of the blackmarket rate. Therefore, the introduction of these certificates will probably not increase the amount of overseas remittances until the rate is more in line with the blackmarket rate.

The success of this new regulation is necessarily limited co-equally by the rampant blackmarket and by the rapid depreciation of the Chinese dollar. With the widely and constantly unbalanced national budget, and with the influx to Shanghai and Canton of large amounts of flight capital from the northern war zones, the blackmarket receives economic stimulus, as no one wishes to remain holder of currency which can depreciate as much as 30 percent in one day. In the frantic search for cover, all inward remittances are diverted to the blackmarket to make the most of the gap between the new "composite" rate and the blackmarket rate. The recipients of Chinese National dollars then must invest in commodities or shares to slow the pace of their loss. This tremendous velocity of money is to blame, along with short supplies, for the rising living cost—above and beyond the numerical rise engendered by the inflation.

Another question which is extremely important is whether, when the presently accumulated supplies of exports have all been shipped, new supplies can be obtained readily at the export centers at a cost low enough to allow their competition in world markets. Without a steady outflow of exports, there will never be enough foreign exchange to link to imports, and the hope of adjusting the adverse balance of trade and of payments will again have to be postponed.

Insurance

There have been many new and interesting developments in the insurance market in China in the recent past.

It had been rumored for some time that the Central Trust of China would open a marine insurance office in the United States. This rumor has now become actuality, and the Central Trust of China, United States Insurance Branch, was officially opened in New York on May 6, 1948. It is believed that this new branch will write all classes of marine insurance in the currencies normally used in international trade. It is too early yet to say positively what effect this will have upon the transaction of private insurance business in China. It is possible that this Insurance Branch may become another monopolistic government enterprise, the like of which is growing more and more familiar to Americans abroad.

The matter of the deterioration of coastwise and river transportation facilities from the insurance standpoint grows steadily worse. In the past few months there have been many mysterious strandings and, in one case, the total disappearance of a large coastal vessel. Aids to navigation north of the mouth of the Yangtsze River are in serious disrepair. Commandeering of privately owned vessels by the military is on the increase. This constitutes a very serious threat to the cargo on board the vessel at the time of pre-emption and is a constant hazard in the underwriting of all coastal and river insurance. South of the mouth of the Yangtsze River, shipping conditions are generally better. Aids to navigation are somewhat better maintained and shipping companies are inclined to use their best vessels in this trade. On the other hand, the alarming increase of piracy on the South China coast is a matter of serious concern to underwriters, cargo owners, and ship owners alike. Piracy in South China is not confined as before to small vessels and junks, but is now extended to a highly organized trade involving the use of mines and machine guns which have enabled pirates to capture and rob even large ocean-going vessels. The various garrison commands and provincial officials in Kwangtung Province are making efforts to control this menace to trade with some success, inasmuch as the gang which was mining the Pearl River seems, for the moment at least, to have been eliminated from their nefarious trade.

Ocean cargo shipments to and from China generally have fared far better than coastwise or river shipments. The incidents of theft and pilferage on both export and import cargo have slowed considerably. This is probably due to the fact that exports are largely confined to bulk commodities not of high value in the local market. Imports are restricted by the import regulations to capital goods and raw materials not easily pilfered. Underwriting results on this class of business have therefore been above average.

The fire insurance market since the war has produced very favorable results for all underwriters. It can be reasonably assumed that losses have in the postwar years not run higher than 20 percent of net premium income. This is unusual in the light of prewar fire loss experience which was consistently poor. When it is realized that Shanghai's population has doubled in the last 10 years, that its water supply is at present inadequate, and water pressure at fire hydrants in may cases almost nil, the present loss experience becomes the more remarkable. It is assumed by most underwriters that the reason for this phenomenal situation is that the inflation of local currency has made it very unprofitable to have a fire, and property owners and godown keepers alike

have taken extraordinary care in the protection of their cargo and property. On the other hand, the same cannot be said for the public protection which is provided to property owners and individuals in Shanghai. The regulations concerning new buildings are either ignored or evaded, with the result that throughout the city there are matsheds and other highly inflammable structures in close proximity to godowns, dwellings, factories and other properties.

Another feature which makes the situation extraordinarily dangerous is the lack of control of the storage of hazardous materials throughout the city. Relatively few warehouses and godowns are registered as non-hazardous. Most of them are public godowns which permit the storage of all types of merchandise and until recently few attempts were made either by godown keepers or by the public authorities to prevent the storage of hazardous materials in places where lives and property were seriously endangered by their presence. With particular regard to the storage of hazardous goods, the so-called gasoline shortage has proven a golden opportunity to the thousands of small commodity speculators. Tins, drums, and bottles of gasoline are kept wherever convenient throughout the city, and constitute one of the elements required for a catastrophic loss. That such a loss has not happened yet is amazing to most underwriters.

With conditions, both economic and political, deteriorating as rapidly as they appear to be, most underwriters are proceeding in the insurance business in a very cautious manner. Large risks of any sort which are confined to China are being reinsured to a point that underwriters will not suffer seriously in the event of any large single loss. It is safe to say that the entire insurance market is somewhat dubious about the prospects of the immediate future.

Manufacturing

As previously reported, the authorities have maintained a constant menace to manufacturing companies through the promulgation of utopian and extreme labor laws for China. The enforcement of these laws, if carried out, would not only be a burden to any enterprise but would render production almost impossible. The following are some of the many allowances which employees are entitled to receive under these laws.

1. Workers shall be paid for all public holidays and rest days. Since labor works a six day week, this means seven days' pay for six days' work. If you shorten the work week to five days, you are still liable for seven days' pay.

2. Annual leave shall be granted to each employee. Generally, this is two weeks paid leave but may extend to 30 days, depending upon length of service.

3. Female workers shall be given eight weeks leave at full wages for child birth if employed over six months, and at half wages if employed less than that period.

4. If a worker is temporarily disabled through injury or sickness, the employer shall bear the expense of his medical treatment and shall pay allowances of two-thirds of his regular wages for the first six months and one-half of his regular wages for the next six months.

5. If a worker is permanently disabled, totally or partially, he shall be paid full wages for a period of between one to three years.

6. In case of death, the employer shall pay for the funeral expenses and make a lump sum setlement to the heirs plus a sum equal to the average earnings for two years.

"Note: Items 4, 5 and 6 are paid by the employer even if the condition was not caused by the victim's employment."

Fortunately there has been no strict enforcement of these laws to date, and it remains for each company to bargain with the Municipal Authorities for the best possible compromise and terms. However, this breeds many chances for discrimination.

At this time, wages do not present many problems since labor is generally paid on a base rate multiplied by a cost of living adjustment which is fixed by the Municipal Authorities twice a month. For example, in Shanghai a worker may have a fixed basic wage of CNC$30.00 per month. On June 30, 1947 the Municipal Authorities fixed this index rate at 250,000 times while the rate fixed on June 30, 1948 was 710,000, an increase of 110 percent over May 1948.

Because of the steady devaluation of the Chinese National dollar in relation to US dollars, wages in terms of US dollars have declined during the past year approximately 60 percent. At the same time, selling prices for some essential manufactured goods have declined even further (approximately 85 percent). This, coupled with the fact that raw materials purchased on the local market follow the blackmarket rates closely, means constantly increasing costs and a lower margin of profit, if any.

Shipping

Shanghai is the natural gateway to China. It is situated conveniently in the center of China's coast line. A large natural waterway, the Yangtsze River, can float deep draft vessels right into the center of China. Shanghai should, under normal conditions, be the principal supply depot of the outside needs of China's five hundred million people as well as the natural outlet for most of their produce. The present day picture of cargo movement to and from China is extremely dismal and little improvement is indicated in the coming year.

However, the movement of passengers in and out of this city continues to fill all available vessels that offer passenger space. Although this passenger movement has dropped somewhat from the heavy flow of the early post-war days, passenger space is still very difficult to obtain, whether of the six-in-a-cabin troop transport type or in one of the new luxury liners of the President Cleveland type. Through the utilization of these war-time troop transports and with the assistance of freighters with a limited amount of passenger accomodations all steamship lines during 1945 moved 5,500 persons into Shanghai and 8,500 people out of Shanghai. During 1947, 8,500 were brought in and 16,000 were moved out.

There are 15 competing steamship lines operating from Shanghai to the Pacific Coast of the United States. Three of these lines are American and the balance are foreign flag lines. Out of 17 lines operating to the East Coast of the United States, five fly the American flag. With business conditions as they are now, the two larger American lines operating via Shanghai could easily handle all the export cargo from this port. This makes competition for what cargo there is extremely keen. During the first four months of 1948, a total of 32,919 tons of cargo was moved from Shanghai to the United States. American flag vessels carried 19,626 tons of this cargo.

The total tonnage of import shipping is considerably heavier than that of export. However, China's government restrictions are continuously aimed at cutting down imports in a futile attempt to obtain something close to a stable trade balance that might help to curb China's runaway inflation. Instead of reducing imports and increasing exports, the artificial restrictions and regulations have provided only a temporary stimulus to export movements.

China's most voluminous export commodity is wood oil. Most of the Wood Oil is produced in the upper reaches of the Yangtsze River. Under normal conditions it is loaded into lighters or tank vessels at cities such as Wanhsien, Hankow and I-Chang and carried down the Yangtsze to Shanghai. It is then transferred into calibrated lighters and delivered into the deep tanks of ocean going liners.

Shanghai is a natural exit for this commodity but because of the wild fluctuations of the Chinese dollar, most of this wood oil has been forced to be smuggled out of China via devious and expensive channels. Last month Hongkong moved out three times more wood oil than Shanghai. Although it is extremely expensive to move this commodity out of China to Hongkong and then export it, the exporter can afford to do this only by taking advantage of the blackmarket exchange.

Cotton waste is China's second largest export. The present exchange regulations now make the legitimate export of this commodity prohibitive. There are countless other strangling government restrictions that make the task of both the trader and the steampshin lines here in China extremely difficult. The present China Relief Program will cause a temporary increase in the movement of freight. This spurt will not last long. China needs a great deal more than temporary loans to make the wheels of her world trade machinery roll smoothly.

THE AMERICAN SCENE

"HOOKING A RIDE"

Swigert in The San Francisco Chronicle

"ROCKY ROAD"

Carmack in The Christian Science Monitor

"DEAD END KID"

The Nashville Tennessean

The Week's Business

WITH the tempo of inflation increasing, the week ending Wednesday, July 21, saw tremendous price movements on the local market. The movement started last Monday when new Custom Gold Units appeared on the market. The first issues to be seen were denominations of CGU 50,000 (CNC$1,000,000), CGU 25,000 (CNC$500,000) and CGU 10,000 (CNC$200,000). The CGU 250,000 note, equal to CNC$5,000,000, will be issued in the near future.

In spite of statements to the effect that the new issues were replacing, not supplementing the existing issues and in spite of the certain fact that it is exactly the same no matter if one pays ten bills at $100,000 each or one bill representing one million, the usual psychological effect of high denomination notes could not be avoided.

The Stock Exchange reacted similarly; no sooner were the new banknotes seen on the market than shares went up. Indeed, on Monday several stocks dealt in on the Exchange opened with their ceiling limits and were out of business practically after less than a minute.

Although such reactions were described as illogical, finance quarters explained that the psychological effect is quite logical. The issuing of high denomination notes, they stated, always indicates that a government does not believe in an early termination of a currency inflation. In other words, by issuing high denomination banknotes, a government admits that it takes further depreciations for granted. From all practical viewpoints, however, there is certainly no difference between small denomination banknotes and those with high face values. Still, bankers explained, the very fact that the Government prefers to use CGU bills which show smaller face values, proves that it does take into consideration the various psychological effects of new issues.

As expressed in a semi-official market review, "affected by issuance of larger denomination notes," rice prices advanced drastically at the beginning of last week. First quality rice was quoted at around CNC$40,000,000 but was reduced to CNC$38,000,000.

The situation changed abruptly on Tuesday, July 20, when all of a sudden both commodity and share prices declined rapidly, while interest rates increased to as much as 90 percent per month. The chief reason was seen in the increasing tightness of the money market which, according to the view of several bankers, was caused by the new credit regulations issued by the Central Bank and the governing of the credit policy of commercial banks. Furthermore, remittances from the north were reported to have declined and the idle funds which arrived in Shanghai found the money market more attractive than the commodity market. Since commodity prices declined—on the wholesale markets—whereas interest rates increased, the action of holders of idle funds was considered logical. On the Stock Exchange, interest rates went up to more than 100 percent per month, which certainly indicated that operators did not regard teh decline in commodity prices as indicating an improvement of the general monetary situation.

On Wednesday, July 21, the last day of the week under review, the picture changed again. Several commodities slowly started to regain in price, f.i. cotton yarn, rayon and raw silk, the rice price lost a little (first quality was quoted at CNC$37,000,000), edible oils and soap registered further losses.

Such movements were considered as indicative of the approach of a new upward movement rather than of further general price declines. Irregular as all sectors of the market were, price movements largely depended on decisions of a few dealers on the commodity market and a handfull of bulls or bears on the Stock Exchange.

Quotations

Stock	July 14 CNC$	July 21 CNC$
Wing On Textile	9,280	11,440
Mayar Silk	525	598
Commercial Prsss	3,700	4,140
Wing On Co.	2,750	3,250
Ewo Cotton	—	—
Bond C	950,000	1,010,000

Commodity	July 14 CNC$ (000 omitted)	July 21 CNC$ (000 omitted)
Wheat Flour	8,120	11,300
White Rice, first	29,500	37,000
Peanut Oil	76,000	102,000
Raw Silk "C"	1,880,000	2,150,000
Jap. Rayon	1,652,000	2,052,000
Cot. Yn. (42)	1,350,000	1,700,000
Cot. Yn. (20)	—	1,150,000
Koo Ban Soap	—	75,000

US Magazine Roundup

Pic

ARTHUR and Betty Reef write about "Inside Red Korea" in the April 28, 1948, issue of *Pic* magazine. They base their article on information gathered from interviews with hundreds of refugees from Soviet-occupied North Korea, since for over two years no American journalist has been allowed to set foot in the Russian zone.

At one time, it was estimated that southbound refugees were crossing the 38th parallel at the rate of 1,000 a day, most of them anti or ex-communists, some of them simply hoping for better treatment and more food in the US zone. This exodus was permitted by the Russians because it got the opposition out of the way and at the same time created a huge food and housing headache for US officials. But, as the Reefs point out, "the stream of refugees also cracked the Iron Curtain."

The Reefs quote eyewitness accounts of the triumphant entry of the liberating Russian forces, describing the breakdown of army discipline as the troops marched southward, the looting and disorder which prevailed and the resultant disillusionment of the Korean population. This, of course, is to be expected in almost any similar setup where an outside force comes in to "liberate" an area or occupy it for any other reason. A more significant picture is drawn from refugee accounts of later developments.

"Having established police control and installed their man at the head of the government," the Reefs continue, "the Russians proceeded to the next step in the Sovietization of the country. They used the organizing drive of Yenan and Kharazakh communists (those Koreans who, finding life under the Japanese unendurable, had emigrated to the Khazakh Republic of the Soviet Union) to form the North Korea Labor Party, which was composed of all the local Communists as well as the two imported groups. The Russians gave this official party control of North Korea by appointing its members to key spots in government, police, industry, schools, the labor union. In every field party members infiltrated.

"Refugees from North Korea repeatedly mentioned the 'local street system' imposed by the North Korean Labor (Communist) Party. Its members monitor the streets on which they live, watching the behavior of their neighbors and reporting any noticeable divergence of opinion or action to local party headquarters or to the police. . .

"With the party established, the Russians held an election to set up a People's Committee Government cast in the USSR mold. . . Slates of candidates handpicked by the Labor Party were presented for a yes or no vote, without any choice of opposition candidates. Voters cast their ballots openly in either the red or white ballot box so that watchers at the polls could ferret out anti-communists among the electorate.

"Through the Peoples Committee Government, the Russians conducted intensive recruiting campaigns to get volunteers for the Korean Peoples Army, which had gone to the aid of Communists in Manchuria in their war against Chiang Kai-shek. When Army recruiting lagged, the Russians used the facade of recruiting for the police force, later shifting police recruits to military service . . . Various estimates place the number of men in the Peoples Army at between 200,000 and 300,000, all trained and armed by the Russians. Many divisions have been battle-hardened in the Chinese Civil War."

The authors describe the Russian method of using rationing in coercing the Koreans to join one of the two authorized labor unions, the Trade Union and the Peasants Union. "The charge by refugees from all sections of the north said in sum that without the ration card issued by the union, essential commodities could be bought only at inflated prices . . . often four or five times as high as those in the special union stores which sold food and clothing at government-controlled prices. A man received a ration card only after his background had been approved by both the union and by the local Labor Party representative.

"The Peasants Union held the same rein over farmers, and in addition provided a means of central control in the grain collection program, under which part of every crop was collected as taxes by the government. However, the Soviets did bring about a land reform in North Korea. Acreage taken from the Japanese and from large landholders was redistributed to those farmers willing to work the land. Though the distribution of land is now more equitable, the peasants do not own the small holdings which they till. Farmers who have since become refugees reported that deeds to the land had to be turned over to the local Peoples Committee.

"The Soviets have propagandized the fairness of these collections and the low tax rate, claiming that only 25 percent of the yield is taken, whereas the Japanese used to take almost half the crop. But North Korean farmers deride this claim . . . The publicized 25 percent rate was based on crop figures in 1938 when ample supplies of fertilizer, oxen for plowing and good weather produced a bumper yield. Collections based on 25 percent of that year's crop, regardless of a farm's current yield, left many farmers starving. . . . .

"The Russians have arranged for long term control of key industries by vesting ownership in a Soviet Korean partnership . . . The Soviets pay nothing for their share in any Korean company, claiming that their contribution to the partnership is the liberation of Korea from the Japanese." These contracts, some of which are for periods as long as 30 years and which provide for half and half ownership with usually a Soviet citizen as manager and all technicians and engineers appointed by the Soviet Government, exist in many industries—notably in transportation, oil refineries and chemical plants. Statements by refugees confirm that half of everything made in factories under such control was exported by the Russians and the other half given to the Labor Party, which, in turn, sold part of its share in the ration card stores and the balance on the black market . . . From the accounts of refugee gold mine workers it is estimated that close to 20 tons of gold bullion have been exported to the USSR.

"Through all the refugee reports run some threads of evidence which do credit to the Russians. They promptly rounded up and punished former collaborators and traitors. They introduced a land redistribution program. They brought about social reforms. North Korea has a labor law which provides for an eight hour work day, outlaws child labor, protects women workers. It has a broad social insurance program . . . On the other hand, these advances are more than counterbalanced by the complete repression of civil liberties in North Korea and by the unfair economic and political advantages taken in an area which by international agreement Russia was supposed to have liberated. The Communist sickle has swept North Korea almost clear of dissident elements, leaving a Soviet satellite state. Unless the United States or the United Nations find some way to turn the tide, civil war between Communist North Korea and Nationalist South Korea seems inevitable."

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Business Week

TRADE still goes on between Nationalist and Communist areas in China and the biggest volume of business seems to be in eggs, reports *Business Week* magazine for July 3, 1948. According to the magazine, United States and British egg packing companies in Shanghai handle most of the deals. "The Nationalist buyers, who come and go between the two Chinas at will, purchase shipment of eggs to be delivered at some point in the 'no man's land.' The buyer turns over official Chinese money to the Communist representative who then gives him local currency to pay off the Communist farmers."

In Tientsin, the magazine says, an American firm was offered 30,000,000 lbs. of wool for export. The wool, it was discovered, came off the backs of "Communist sheep."

NEWS OF THE WEEK

Peace Rumors Rife In North China; Soviets Reject Protest From West

ALL indications seem to be pointing to the fact that the Chinese Communist troops are launching a series of well-coordinated and well-timed offensives north of the Yangtze. At the time of writing, Red forces are reported to be driving toward Taiyuan, Tsinan, Paoting, Hsuchow and Siangyang. It is generally believed that the next few weeks will witness decisive developments on the civil war front.

After several days of fighting, the Reds succeeded in breaking through the outer defense of Taiyuan, capital of Shansi. It is rumored that two of the three available airfields around Taiyuan have already been captured by the Communists, thus rendering the dispatching of reinforcements, extremely difficult, if not altogether impossible. The reason is obvious. The city of Taiyuan has been cut off from the outside world except from the air. Therefore the fall of the two air strips is particularly disturbing.

According to *AP*, the Communist capture of the new airfield immediately south of Taiyuan is a serious blow to the Nationalists. The field was built at great expense and was one of the best air fields in the whole of China with the latest equipment, including night landing facilities. Everyone who visited Taiyuan was astounded at the quick development in favor of the Reds. Everybody is wondering what is behind the latest developments because the defenses of Taiyuan included seemingly impregnable pillboxes with everything from protective emplacements to machine gun nests.

In the past, both Americans and Chinese have confidently proclaimed that "Taiyuan is impregnable." This is the reason why the quick march of the Reds has made the public all the more alarmed.

In the opinion of *AP*, "if the Reds succeed in taking Taiyuan they will go far in their supposed plans to establish a corridor between Manchuria and Central China. Its possession would give them control of the Fen River Valley and, with it, Shansi's meagre food resources. The Reds hitherto have been holding bare, unproductive mountains. Taiyuan would also yield them one of the most important industrial centers in China today. It would give them almost full control of the rail line which runs through the province to Tungkwan at the big bend of the Yellow River.

* * *

Possible Deal

AP also disclosed that interested quarters in Peiping are paying particularly close attention to the events in Shansi. This is partly inspired by the fear which some privately confide that Yen might make a deal with the Reds. The story—and it must be emphasized that it belongs in the realm of rumors—is that Yen has long been secretly dickering with the Reds. One theory is that he failed to come to terms and that the Reds are putting on the squeeze, thus confronting him with the choice of fighting a possible losing battle and being out of the ring for good or making some arrangement. Supporters of Yen have long and insistently discounted these rumors as an unwarranted reflection on a man, who, they say, would never dream of a compromise with the Reds. The next few weeks might show the actual position.

Neutral observers pointed out that Taiyuan, with its big arsenal, steel and cotton mills and locomotive works, would be an extremely valuable prize for the Reds. The arsenal of Taiyuan is one of the biggest and most important in all China. Weapons produced there include rifles, machine guns, and 75 millimeter mountain guns.

In Hopei, Communist forces advancing along a broad front, are reported to have captured Laishui and Sincheng, important Nationalist strongholds along the Peiping-Paoting railway. The vanguards of the Reds are said to have broken into the suburbs of Paoting, the provincial capital, where gunfire was audible. Meanwhile scattered fighting was in progress near Peiping and the situation there is very tense.

* * *

Reds On March

According to press reports, as General Fu Tso-yi's crack Suiyuanese troops began reeling under strong Red pressure, General Ho Ying-chin, Minister of National Defense, is expected to proceed to Peiping shortly to assume personal command of the Government forces in an attempt to check the Red push which threatens to engulf the entire area from the Great Wall to the Gulf of Chihli.

In northern Hupeh, the strategic Han river city of Siangyang is reported to have fallen to the Reds after bitter street fighting. Radio contact with the Nationalist garrison was broken off on the night of July 18 shortly after the garrison commander had reported that Communist troops had scaled the southern section of the city wall. Government air reconnaissance reported that the city has been totally blacked out by the Reds in anticipation of Government air raids. Government reinforcements, reported to be only 20 miles away, are expected to launch a counter-offensive immediately to retake the city and near-by food areas.

On the Tientsin-Pukow Railway, the strategic city of Yenchow was captured by the Reds, who are said to be driving toward Tsinan and Hsuchow, important government base in northern Kiangsu.

The Nationalists, however, claimed some gains in Manchuria, where their position seems to have improved a bit.

In view of the extreme gravity of the present military situation, press reports indicate that Generalissimo Chiang Kai-shek is personally directing war operations by telephone and radio from a special conference room where the heads of three armed services are meeting. It is further revealed that the Generalissimo meets each morning with Defense Minister Ho Ying-chin, Chief of Staff Ku Chu-tung, Air Force Commander Chow Chih-juo and Naval Commander Admiral Kwei Yung-ching. One officer said this daily conference was reminiscent of war days when the Supreme Military Council met to consider Japanese moves.

As the Reds displayed amazing strength over widespread areas, particularly in attacks on well-defended cities, observers in Nanking expressed the opinion that it appeared as if the Reds are abandoning hit and run tactics in favor of a general offensive against the Government.

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Chiang's Message

In spite of the obvious deterioration in the military situation throughout the country, President Chiang Kai-shek, in a message issued to the governors and mayors of all the provinces and cities, reaffirmed his confidence in ultimate victory over the Communists and stressed the necessity for political reforms. The President said that the recent Honan battle had fully demonstrated that the Chinese Communists militarily are no match against the Nationalist forces. He urged administrative officials at all levels to exploit this military victory by redoubling their efforts to achieve political reform and to overcome administrative inertia. According to him, the Communists are merely "a flock of loosely assembled forces," which always sought to avoid a battle when numerically inferior. He added, however, the Reds have been more successful in their political propaganda in enlisting the support of the masses in the countryside and among the nation's youth.

President Chiang said that along with political reform, efforts should be made to train and organize people's forces for self-defense, "which must be done explicitly in ac-

cordance with regulations and no repetition of mutual deception between different levels should be allowed." The President further pointed out the necessity of alleviating the sufferings of the people, whose burdens entailed by military requirements are undeniably heavy. "All efforts should be made to avoid imposing upon people burdens or taxes not prescribed by law. Wherever possible, productive enterprises should be restored and operated for the benefit of the people," he said.

The President predicted that with the enforcement of all these measures, "it is certain that, within six months, the political atmosphere will be changed and administrative efficiency drastically increased." It will be interesting to recall that President Chiang also gave six months as the time-limit for crushing the Reds between the Yellow and Yangtze Rivers, beginning from May, 1948.

* * *

Peace Rumors

AS the result of the recent alarming developments on the military front, a lot of rumors have been spread, *AP* reported from Peiping:

"North China, particularly Peiping, has been seething for the past fortnight with rumors of a peace move. Their origin is a mystery. They could have been circulated by the Communists as part of their propaganda warfare, to show that the Nationalists are ready to talk terms; or they could have been put forward by the Nationalists for their own purposes. The rumors have had a reception ranging from outright ridicule to cautious credence.

"One story which has been going the rounds is that Chou En-lai, Number Two man in the Chinese Communist hierarchy, has visited Peiping and talked with high Nationalist officials.....One foreign official, usually more skeptical than most when it comes to rumors, told *AP:* 'I haven't been able to put my finger on it, but there's something in the wind.'

"The rumor, insidious and insistent, has taken various forms. One is that Chou En-lai came to Peiping for a secret rendezvous with ex-Premier Chang Chun, who recently visited Peiping ostensibly for a vacation. Another is that he has seen Vice-President Li Tsung-jen, who is still in Peiping....

"On the question of this elusive peace, too, the pendulum of rumor swings in a wide amplitude. It swings far enough for many people to whisper, as they have been doing for a long, long time, that north China commander Fu Tso-yi and governor Yen Hsi-shan of Shansi are in cahoots for a 'localized peace.'

"This, in effect, would embrace the five provinces under Fu's command—Hopei, Shansi, Suiyuan, Chahar and Jehol—which have a total area of 1,072,436 square kilometers or over 400,000 square miles."

* * *

Aid To China

NEGOTIATIONS were in progress in Washington on the shipment of United States arms and equipment to the Chinese National Government to combat the Communists. Chinese Ambassador V. K. Wellington Koo and Vice-President of the Legislative Yuan Chen Li-fu recently conferred with Secretary of State Marshall on this subject. It is revealed that the Chinese have had a "shopping list" read for the purchase of arms from the US$125,000,000 granted by the US Congress for some time. But difficulties in connection with United States requirements for budgetary and book-keeping controls have held up the withdrawals.

After seeing Secretary Marshall, Ambassador Koo told the press that the Secretary of State had explained the procedure for drawing funds from the military aid and described Marshall as very "helpful."

Although the military aid was granted to China on a "no-strings" basis allowing the Chinese to select any arms or equipment they see fit they must follow the procedure set up by the State Department in drawing on the funds. Koo disclosed he submitted two requests for allotments under this procedure but declined to say how much or for what.

Koo revealed that China is hoping to start a series of shipments of arms and equipment as quickly as possible but said it is impossible to know now when the first shipment will arrive in China.

At the same time, Americans working on the Chinese recovery program are beginning to realize what a vast and practically hopeless job they have, according to press reports.

Charles Stillman, head of the China survey mission, says that the results of the first US$60,000,000 spent for Chinese recovery will be negligible. Students of Chinese affairs will bet him that he learns the same thing about the forthcoming expenditure of the US$400,000,000 too. The recent 50 percent drop in the value of the Chinese dollar is not the problem. It is merely a symptom.

When American experts began to figure what they could do to help China they had no hope of restoring that country's currency. They only hoped to prevent further deterioration. They figured that this holding operation could be conducted for one year with US$510,000,000 in addition to the US$60,000,000 for immediate relief. Instead of US$510,000,000 they got US$400,000,000 and holding operations became a mere delaying operation.

It was further pointed out that even that has come too late. There is a wholesale flight of capital from China....This flight of capital, in the opinion of observers in New York represents the true feeling toward their own country on the part of the private enterprises with which the Americans hope to work for recovery.

* * *

Berlin Crisis

THE protests of the United States, Britain and France on the Berlin issue was flatly rejected by Soviet Russia, which in its reply challenged the right of the Western allies to remain in Berlin on the ground that violations of the four-power agreement by the three countries were "rendering null and void their right of participation in the occupation of Berlin."

The Russians, however, asserted that they are ready to feed the Germans in the western sectors of Berlin if necessary, until difficulties are ended.

Moscow's reply was not quite unexpected. London, Washington and Paris are reported to be in consultation in order to send new notes to Russia to refute the allegations made by the Russians.

Meanwhile other counter-measures under consideration are reported to include the following:

1. To curb Soviet ship movements around the world by closing the Panama and Suez canals to Soviet vessels.

2. To clamp down on trade between the Soviet Union and the western powers.

3. To appeal to the United Nations to deal with the Berlin crisis.

4. To challenge the Soviet blockade system by ordering either army-escorted trains or truck convoys to undertake the trip from western Germany to Berlin in spite of Soviet barriers to any such movement.

* * *

US Communists Indicted

WILLIAM Z. Foster, national chairman of the Communist Party of the United States, and 11 other top ranking American Communists were indicted on charges of conspiring to overthrow the United States government by force and violence on Tuesday.

The 12 men faced an indictment of two counts. They were charged with a violation of the Smith Act by conspiring in a party to overthrow the government and teaching its overthrow by force and violence. The second count stated that all 12, since July 26, 1945 had been members of a group which advocated the overthrow of the United States government, according to *United Press.*

The National Committee of the Communist Party issued a statement which branded the action as a "monstrous frameup." It charged that President Truman was using the Communist roundup as an election device and also to embarrass Henry Wallace's third party which is scheduled to open its national convention this weekend.

United Press further reported that the statement said, "the arrests were 'the American version of the Reichstag fire' and an attempt to turn the war in Berlin from cold to hot."

Of the 12 indicted by a special grand jury, nine were in New York city, one in Detroit, one in Chicago and one in Cleveland. The roundup of leading American Communists came at a time when relations between the United States and Russia were more strained than ever as a result of the Berlin affair.

What Chinese Papers Say

HOW China can make the best use of US aid to China under the ECA Program was an urgent subject with the Chinese press in Shanghai during the past week. Also discussed were Truman's chances of election as president and the recent suspension of the *Hsin Min Pao* in Nanking.

* * *

US Aid

THE influential *Ta Kung Pao* placed top priority on meeting the national budget deficit over the needs of refugee relief and increase of productive facilities and said, in part:

"An objective estimation reveals that if all the US aid is used to meet the deficit in the national budget, it will be just sufficient for this purpose. It is reported that for the next few months the monthly appropriation of US aid will be around US$20,000,000. Take the month of June, 1948 for instance. If the average purchasing power of each US dollar was equivalent to that of, say CN$3,000,000 last month, then US$20,000,000 would have been equivalent to CN$60,000 billion. In other words, if the Chinese government had already obtained US aid supplies last month, it would have been able to issue less new notes amounting to CN$60,000 billion. It is generally estimated that the amount of new notes issued by the Government last month did not exceed this figure. We believe that if the financial situation during the next few months does not deteriorate too much as compared with what it was last month, the aim of utilizing the US aid to meet the deficit in the national budget can be achieved, the issuing of more banknotes can be stopped, commodity prices can be stabilized, and it is possible that the national economy may thus be restored to normalcy.

"The basic condition of economic stability is that the general public cease to expect that prices will rise further, for in this way people can utilize their resources on the basis of fixed prices so as to achieve equilibrium. Only when the people expect prices to remain stable can there be economic stability. The easiest and most effective way of utilizing the US aid is to utilize it to stabilize prices. Therefore, it behooves the Government to devote all its energy to this."

The *Chin Yung Jih Pao* (Finance Daily) reputedly connected with Deputy Governor S. Y. Liu of the Central Bank of China, however, declared that the entire US aid fund available out of the total of US$275,000,000 could make up only one-eighth of the budget deficits (after deducting various expenditures) and urged China to seize this "good opportunity" to "utilize this huge fund wholly for reconstruction purposes.

"For in so doing, the economy can be improved, industry and commerce can be stabilized, and the sources of taxation can thus be increased, as a consequence of which the currency and financial situation will take a turn for the better, and moreover, its effects will be basic and far-reaching," it added.

* * *

US Presidential Election

THE Chinese press last week was generally pessimistic about President Truman's chances of winning in the November presidential elections in the United States.

The *Ta Kung Pao* said: "The record made by Truman during the time that he has been President shows that he is a man who does not have independent views and whose actions are self-contradictory. The main difference between Truman and Roosevelt is that, while Roosevelt was a real statesman whose sincerity in implementing the "New Deal" policy was appreciated by the general public, Truman is an out-and-out politician, all of whose actions are more or less speculative in character and who lacks wisdom, far-sightedness and a firm hand. To do him justice, however, we must say that Truman is a good-hearted man of ordinary calibre, but the trouble is that he is living in an important era, and that what the United States needs now is a great man. Because Truman's actions have not been consistent, the U.S. electorate's evaluation of him has varied from time to time."

The *Sin Wan Pao*, commenting on the same subject, conceded that while the Republicans are generally favored to win, miracles can happen. "But," the paper pointed out, "during the two and a half years that he has been President, Mr. Truman has made only quite an ordinary record, both in domestic administration and foreign affairs. In this period of emergency, a leader of mediocre calibre is often disliked by the people, and this is something unfavorable to Truman. . . ."

* * *

Hsin Min Pao Suspension

DURING the past week, *Ta Kung Pao* voiced grave apprehension at the Ministry of Interior's order permanently suspending the independent *Hsin Min Pao* in Nanking for publication of allegedly pro-Communist propaganda and particularly for the report quoting refugee students as claiming that Government air bombing of Kaifeng caused heavy casualties among the civilians.

The paper advocated that punishment for newspapers in violation of the Publication Law should be according to the Criminal Code and through administrative action.

A summary of the editorial follows: "The spokesman of the Ministry of the Interior declared that the *Hsin Min Pao* was punished because it had violated Sections Two and Three of Article 21 of the Publication Law. From this we can see the vital relations between the Publication Law and press circles. We wish now to discuss the Publication Law with a great deal of apprehension.

"The existing Publication Law certainly is incompatible with the spirit of the times. Let us look at Article 21 of the Law which reads: The publication may not carry any comment or propaganda designed to achieve these ends: (1) To undermine the Kuomintang or violate the Three People's Principles, (2) to overthrow the National Government or impair the interests of the Chinese Republic, and (3) to disturb public order.

"What a sweeping and incriminatory provision this is. So far as the spirit of the times is concerned, Section One of this article which pertains to a special privilege enjoyed by the Kuomintang, should have been declared null and void, since the Kuomintang has already concluded political tutelage and commenced constitutional rule. In the modern democratic countries, the people may openly attack the administrative policies of the Government, so the first half of Section Two of this article is out of the question. As to the second half of this section, reading "to impair the interests of the Chinese Republic," it is also very sweeping and incriminatory. As to Section Three of this article reading "to disturb public peace," it will, like the second half of Section Two be also open to many abuses when it is carried out. Such a Publication Law should not be permitted to continue to exist in these times!

"Chinese press circles have always made comments and published news reports in a very abnormal manner. They have had very little freedom in making comments and publishing news reports about important officials of the Government, because their papers have been very liable to be banned either temporarily or permanently. On the other hand, they have enjoyed the greatest possible freedom in making comments and publishing news reports about individuals in society, as those who have fallen victims to the malicious rumors spread by them have had no way of straightening out matters.

"We demand that the Publication Law which contradicts the Constitution be abolished, and that press circles be given freedom of speech and of publication. In case any newspaper exceeds the bounds of law in its editorial comment or news reporting, it should be punished according to the Criminal Code. We hope that the Legislative Yuan will enact a libel law, so as to prevent press circles from abusing their freedom."

What US Papers Say

THE North Korean elections scheduled under Soviet direction for August 25 were contrasted in US newspaper editorials last week with those held in South Korea under UN supervision last May. The national elections in the Netherlands and their relation to Indonesia, the situation in Palestine and US Japanese policy were also widely commented upon in US papers.

* * *

Korean Elections

US press comment drew attention to the similarity of Soviet tactics in Korea to those employed in Germany, noting that whereas a number of other nations oppose Communists in Europe, the US must face the issue in Korea virtually alone.

The *Kansas City Star* said in part: "Soviet authorities graciously have decided to conduct an election next month in the part of Korea assigned to them for occupation. But voting north of the 38th parallel, now scheduled for August 25, will bear no resemblance to the election held in the American occupation zone on May 10.

"What we did was to invite Koreans living under our jurisdiction to elect an assembly which would, in turn, draft a constitution. United Nations agreed to the procedure and sent a supervisory commission to Korea. But the Russians refused to cooperate. As result, the May election was limited to the Southern half of the country. "More than 90 per cent of eligible voters participated, however, despite open Communist intimidation, and the international supervisors later certified the election as "valid expression of the free will of the electorate."

"What the Russians now propose to do is something entirely different. They have already set up a separate North Korean state, complete with a Communist constitution, a hand-picked people's council and what is more important—an army of its own. . . .

"The Soviet puppet regime announces it will enforce its constitution at some unspecified time throughout all Korea. But in practical fact, this Asiatic country is split today just as definitely as Germany and for and same reason—Russian insistence that the Communist minority be placed in a position to control the entire state without regard for the wishes of the non-Communist majority."

Houston Post: "In small and remote Korea, issues identical with those in Germany plague relations between the United States and Russia with this difference—in Korea the Soviet Union can pursue a given line of conduct without regard for the feelings or interests of neighboring states. Only the United States is seriously urging an over-all Korean settlement, while in Europe numerous nations both East and West have a big stake in the future of Germany. . . .

"Developments having a direct bearing on the destiny of a one-time hermit kingdom, and incidentally the course of political events in all Asia, however, are taking place. The United States, pursuing action approved by the UN, is setting up a government in the south, and the Russians are countering by backing a Soviet republic in the north. . . ."

Washington Post: "The Soviet Union's Korean policy, of course, is all part of its world-wide pattern of chaos-breeding obstruction. Essentially the same thing is happening in partitioned Germany. Russians are trying to get what they want by wearing us down. We can counter them only by remaining firm and refusing to be worn down."

* * *

Palestine Fighting

US press opinion generally supported the action of the UN Security Council in calling for an end to the fighting in Palestine under the provisions of Chapter VII of the UN Charter, which authorizes sanctions in the event of non-compliance.

The *New York Times* said in part: "In what is by far the boldest and strongest act thus far in the short and troubled history of the United Nations, the Security Council hah ordered an immediate and unconditional cease-fire in Jerusalem and an end of the fighting throughout all Palestine. It has taken this action under Chapter VII of the Charter, which authorizes (upon further consideration by the Council) the imposition of diplomatic and economic sanctions in the event of non-compliance and, if necessary, the use of armed force to prevent a renewal of the fighting.

"The action thus taken is noteworthy in several respects. For one thing, this marks the first time that Chapter VII of the Charter has ever been invoked, and the degree of success or failure which attends its use in this instance will constitute a precedent of enormous importance for the future. Again, it is significant and encouraging that the Security Council has already given token evidence of the seriousness of its intentions in the matter of enforcement by agreeing that Count Bernadotte, who now returns to Palestine as mediator of the United Nations, will have at his disposal at least a small international police force to keep order in a demilitarized Jerusalem. . . ."

The *Christian Science Monitor*: "There is, as Count Bernadotte states, a common denominator in the conflict. Both Arabs and Jews agree that the two peoples must find a way to live peaceably in Palestine and both agree on the necessity of economic union.

"Recognition of these needs could still become a starting point in new discussions, which might well consider a limitation on the sovereignty of both the Arab and Jewish states in Palestine. After all, this is implicit for smaller states in UN membership and is inescapable in any genuine, practical, economic union of the two peoples. Despite the differences between Jews and Arab, they really, as the Bernadotte suggestions make clear, have more to talk about than to shoot about."

The *Philadelphia Inquirer*: "The first essential in the Palestine situation is to stop the fighting there. This the UN Security Council order, delivered to the Jews and the Arabs by virtue of the resolution adopted Thursday night, is intended to do, and to that extent it is a welcome step. The second essential is to make establishment of the State of Israel basic to any settlement. . . . The fighting should be stopped, of course; its termination should be followed by strong UN action to make the resultant peace permanent by establishing partition, and Jewish independence, as irrevocable."

* * *

Netherlands Elections

COMMENTING on the significance of the Netherlands elections in relation to Indonesia, The *Washington Star* declared that they have more than domestic significance and were made necessary by colonial developments.

"Changes in the Dutch Constitution were needed to legalize transformation of the Netherlands East Indies into a federation of states connected with the mother country through allegiance to a common crown. Those constitutional changes, though authorized by the former Parliament, had to be submitted to the voters in elections for the new Parliament which must then approve the changes by two-thirds majority. It is this newly-elected legislature that must ratify. And the outcome of the elections leaves little doubt that this will be done."

The *New York Times*, linking the Dutch-Indonesian problem to the larger problem of world communism, said in part: "Nothing would more strengthen the democracies, both in Europe and elsewhere in the world, than a settlement on fair and generous terms in Indonesia, and also in French Indo-China. These are the two largest Asian countries still ruled from Europe, and nationalist movements are strong in each case. Every day's delay in settling matters with these peoples only makes the prospect more promising for the growth of Communism in that area of the world. A return to more normal economic conditions in Southeast Asia would also be a strongly stabilizing influence on the economy of Europe, for both the Netherlands and France have been put to heavy expense to maintain large military forces in those colonies. . . ."

The Review's English Lesson—XLI

THIS week we would like again to test your ability to discover the meaning of an English expression by seeing how it fits into the context of a sentence. In the following paragraphs, taken from various magazines and newspapers, decide what you think the underlined words or expressions mean. Then in the sentences after the paragraphs, find one in which each underlined word will fit. It may be necessary to change the number or tense of the word but you will find that each idiom fits properly into only one sentence. The answers with explanations will be given next week.

"But if the conference has been quiet, it has not been without interest. An American newspaperwoman here, getting her first close up of British labor, told me she was enormously impressed with both the brisk efficiency and the democratic atmosphere of the conference." (THE NATION, June 5, 1948, p. 623)

"Mrs. Roosevelt has not limited her hospitality to high—echelon United Nations foreigners. Last fall, when the Assembly adjourned, she wanted to show her gratitude for the help she had received from some of the office girls of the United States Delegation to the United Nations. She invited eight of them to a buffet supper at her apartment." (THE NEW YORKER, June 19, 1948, p. 39)

"Mississippi bolted the National Democratic Convention today....The walkout was touched off by a final futile protest by rebellious Southerners against the all-out civil rights plank jammed into the party platform by liberal Northern elements." (United Press article from Philadelphia on July 14, appearing in THE SHANGHAI EVENING POST, p. 1)

"For a week the delegates to the Democratic national convention had been beating their brains out in an effort to defeat his nomination." (United Press article from Philadelphia, published in THE CHINA PRESS, July 17, 1948.)

1) A major——in the program of the new party was government ownership of public utilities.

2) The President——a stream of protest when he closed the river to foreign shipping.

3) Jones and his followers appeared to be the most conservative——in the group when they voted to retain the existing rules.

4) Unfortunately, many of the most out-moded conventions of social behavior are still followed by the ——of society.

5) The leaders——to find a way to avert the crisis, but despite their efforts the strike occurred.

6) The——of the Democratic and Republican parties were disclosed in their recent conventions.

7) ——of political conditions in most of the countries of the world reveal that the peace has not yet been won.

* * *

In the English Lesson of June 12, we printed a paragraph containing several idiomatic expressions which you were to translate. The correct meanings are given below.

"has suffered a setback"—has undergone a check or reversal.

"puzzle over"—are still perplexed or bewildered as to.

"boom"—a great and sudden increase in prosperity.

"took a spill"—dropped.

"tight raw materials"—natural or unmanufactured goods that are difficult to obtain.

"keep production going"—continue the process of manufacturing.

We have found it very interesting to note how many words that are commonly used in English have been borrowed from other languages. The words below may be Spanish, French, Greek or Yiddish, but they have become completely naturalized. As will be seen, English usage may have caused accents to be dropped or plurals changed, but the words remain essentially faithful to the original.

1) **soprano**—the highest or treble range of the voice, or a woman with a treble voice. The word comes from the Italian "soprano" meaning superior or highest; the English plural is, however, **sopranos** rather than "soprani."

2) **canape**—the French word for "sofa"; now used in English, with the accent retained, for an appetizer of fried or toasted bread which serves as a support or "sofa" for fish or some other delicacy.

3) **criterion**—a test or standard by which anything is judged; from the Greek "kriterion" or "a means for judging". Like the Greek word the plural form is **criteria.**

4) **elite**—the choice part, used generally in speaking of a group which is thought to be socially superior. The word comes from the French "élite" or "chosen", but the accent is not used in English.

5) **kibitzer**—a Yiddish word meaning one who interferes in others' affairs. It is used in English to designate an on-looker and meddler, and most frequently refers to a person who watches a card game and gives unsolicited advice.

6) **voyage**—a trip by sea or air, from the French word "voyage" meaning "journey." The French expression "bon voyage" or "good journey" is very commonly used in English to wish a person a pleasant and happy trip.

"DON'T WAKE ME UP"

Alexander in The Philadelphia Bulletin

The above cartoon is a satire on US-Soviet relations. The implication is that only in a dream can the sleeper (the world) see America and Russia shaking hands in a friendly manner.

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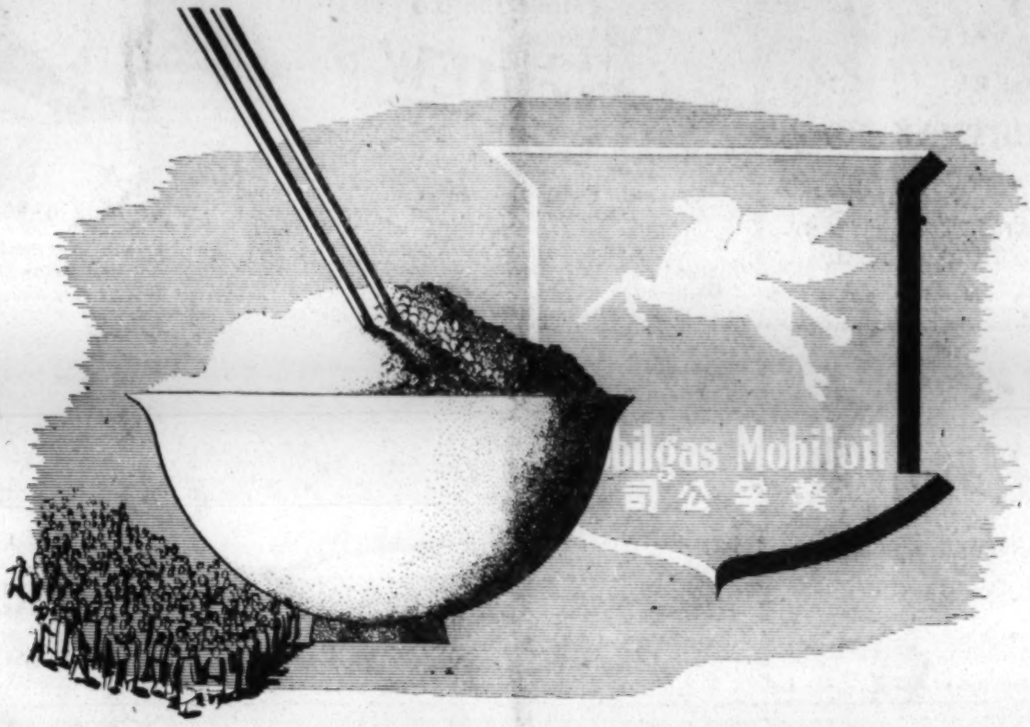

The big rice bowl

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